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ABSTRACT

A factual and descriptive analysis of the employment situation in Bulgaria showed that the transition to a market economy has led to a substantial reduction of employment. The economic restructuring begun in 1990 has proved very difficult, and the privatization of the large industrial enterprises faces problems mainly due to insufficient interest on the part of foreign investors. From 1990-98, employment has decreased by one and one-half million people. The high labor supply is maintained by the restrictive incomes policy and enormous impoverishment of the population during the transition years due to high inflation and the economic recession in 1996. The unemployment rate is high: in 1993, it reached 21 percent; by 1998, it had decreased to 15.9 percent. Since 1996, a wide range of labor market policies have been introduced to stimulate employers to create new jobs and hire the unemployed, and to stimulate the unemployed to start their own businesses or to join labor integration programs. The educational system has undergone substantial restructuring; the professional training and retraining has shown a good degree of adaptation. The industrial policy is oriented toward active participation of the state in investment activities to increase employment. (Appendixes include 4 charts and additional information on the employment situation. Contains 20 references.) (YLB)

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Background study on employment and labour market in Bulgaria

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Foreword

This study is part of the preparation process for the accession of Bulgaria to the European Union. The study gives a factual description to allow an evaluation of the readiness of the country to participate in the Single Market with respect to the labour market and employment policies, and also identifies key issues in this area to be addressed in the pre-accession process. The study provides a background for the employment reviews prepared by Directorate General V of the European Commission and has been written under the supervision of DG V and the European Training Foundation. The funding has been provided by Phare.

The study was written according to the Terms of Reference of DG V and the European Training Foundation, and an outline and guidelines provided by the EU advisers: Susanne Oxenstierna, Stockholm University, and, especially for Chapter 6, Japp de Koning, Netherlands Economic Institute. The drafts of the report were discussed at two of three workshops during spring 1999 in which the national experts from the Central and East European Countries writing the corresponding background studies for their countries participated. Final editing was done by Ms Oxenstierna, and Mr Timothy Chamberlain of Chamberlain Language Services, Stockholm.

The findings of the study were discussed at a conference, organized by the Bulgarian National Observatory in June 1999 in Sofia. The participants in the conference were officials from different institutions in charge of the reforms in the labour market and the educational system - Ms. Anna-Maria Totamanova, deputy minister at the Ministry of Education, Ms. Krasimira Kraus, chief of department at the Ministry of Education, Ms. Juliana Nikolova, deputy minister at the Ministry of Industry, Mr. Oleg Chulev, chief of the National Employment Service, Ms. Verdjinia Tebeyan, chief of department at the Ministry of Labour and Social Policy, Ms. Danka Chopova, chief of department at the Ministry of Labour and Social Policy, Mr. Dimitar Manolov, vise president of the Confederation of Labour "Podkrepa", Mr. Dimitar Brankov, chief of department at the Bulgarian Chamber of Commerce, Mr. Stoyan Boev, chief of department at the National Statistical Institute, etc. The coordinator for Bulgaria from the European Training Foundation - Mr. Lewis Kerr took part at the conference as well. All participants at the conference defined the outputs of the study as very useful and helpful.

We would like to thank the various experts, researchers, and administrators who provided manifold useful comments and corrections and who helped us in collecting both data and ideas.

Sofia 18 August 1999

Iskra Beleva
National Expert
Team Leader

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Executive summary

The changes in the Bulgarian labour market started in 1990. The model for centralised distribution of labour resources had to change with the emergence of unemployment and the need for its legal regulation. Along with this, labour market institutions, including a network of regional labour offices and a central labour office, were established.

During the initial phase of the labour market, passive labour market policies dominated, which mainly included the identification of the unemployed and their registration, and the payment of unemployment benefits. The Professional Qualification and Unemployment Fund was formed, which was to provide the financial resources for the employment and unemployment policy. At first contributions were paid only by employers, but later the employees started to contribute, too.

Labour market development in Bulgaria was also connected with the formation of a tripartite system with the participation of the state, the employers' organisations and the trade unions. Wages, lay-offs, and working conditions are subject to collective bargaining. The forms and methods for work within the tripartite system have been improved over time in line with the tripartite models in countries with developed market economies. The range of the policies implemented has also grown and active labour policies have begun to be developed. The legal framework, as well as the institutional network, of the labour market, has also developed and is now almost complete. An Unemployment Protection and Employment Promotion Act is already in place, having been adopted in 1997.

A good institutional network of regional labour offices has been created. The state labour administration has undergone many changes and is now represented by the National Labour Office and the Ministry of Labour and Social Policy. A number of structures have been established at national, branch and regional levels for tripartite participation in the regulation of labour supply and demand, and for the implementation of relevant employment and unemployment policies.

The labour market situation in Bulgaria is characterised by a limited demand for labour. The transition to a market economy has had a number of specific features, which have led to a substantial reduction of employment. In 1991, Bulgaria started radical economic reforms in connection with the liberalisation of prices, exchange rates, exports and imports, and the restriction of subsidies to state enterprises, which employed more than 90% of the labour force. The existing agricultural co-operatives were closed. A process for restoring the ownership of agricultural land was started, which has been going on for nine years and will be completed in 1999.

The economic restructuring has proved very difficult, and the privatisation of the large industrial enterprises faces problems mainly due to insufficient interest on the part of investors. Foreign investment in the country is very limited compared to the other transition countries. As a result of many external and domestic factors, the pace of the transition process has been unable to ensure a return to the GDP level of the pre-transition period. GDP for 1998 is only 66.8% of the level in 1989. This creates obstacles for the creation of new jobs. During the period 1990-1998, employment in Bulgaria has decreased by one-and-a-half million people, or by about 25% from its level in 1989. At the same time, relative to the low labour demand, the labour supply, expressed as a coefficient of economic activity (labour force participation) of 61.6%, remains high, though lower than that of the EU (67.8%). The high labour supply is maintained by the restrictive incomes policy and the enormous impoverishment of the population during the transition years due to high inflation and the economic recession that the country fell into in 1996.

The transitional period has been characterised by a large polarisation of incomes, the erosion of real incomes and decreasing labour motivation. There is an obvious differentiation of the labour force according to regions, sectors, professions and social groups. The labour supply is high, although the minimum wage payment do not have a stimulating effect.

As a result of low labour demand and high labour supply, the unemployment rate in Bulgaria is high: in 1993 it reached 21%, though in 1998 it had decreased to 15.9%. The share of the long-term unemployed in the structure of unemployment exceeds 60%, and the share of unemployed youths is about 45%. Bulgaria pursues a restrictive policy in relation to the assistance of unemployed people and has introduced strict criteria for access to unemployment assistance schemes and social assistance schemes. The policies pusued do not promote active behaviour by the unemployed, but the limited demand for labour limits the opportunities for the reintegration of the unemployed in the labour market.

Serious problems are posed by the shadow economy and hidden employment, in which the unemployed take an extensive part. The serious problems in Bulgaria related to employment and unemployment make it essential to develop regional employment and unemployment programmes.

Since 1996 a wide range of active labour market policies have been introduced. They are intended to stimulate employers to create new jobs and to hire unemployed people. They also aim to stimulate the unemployed to start their own businesses or to join possible labour integration schemes. The efficiency of the schemes implemented varies, but in general it is not very high. This evaluation is based on the low share of the expenditures on active labour market policies in the GDP, and in the total expenditures of the Professional Qualification and Unemployment Fund. Also a very low share of the total number of unemployed are involved in active labour integration schemes. Legally, the involvement of the unemployed in active labour market policy schemes is required only at their prior request, which imposes additional limits on the efficiency of the programmes.

The professional training and retraining of the labour force is an important issue on the labour market. During the transition period, the educational system in Bulgaria has undergone substantial restructuring, and the professional training and retraining has shown a good degree of adaptation. People with secondary education are employed to a larger extent than those with lower education, which shows that they have been able to adapt to the new requirements. At the same time the active participation of the professional training and retraining system is vital for the restructuring of the labour force in terms of quality, in line with the structural changes in the Bulgarian economy.

A considerable proportion of the unemployed have only secondary comprehensive, primary or lower education. In order for the system to comply with EU requirements, and to make it more responsive to the needs of the labour market, the professional training system must be reformed as regards structure, training programmes, and standards.

Bulgaria has a well-established institutional framework for the development of the labour market. But it is necessary to improve the co-ordination among institutions involved in the labour market and in particular among those from the educational system and the professional training and re-training system. At present, the organisations of civil society are not sufficiently involved in the implementation of labour market programmes. There is no regular monitoring and supervision of activities in the labour market, which reduces its flexibility.

The most important problem for the current economic development of Bulgaria is to achieve long-term economic development leading to an increase in jobs and incomes. For this reason, the industrial policy for the next few years is oriented towards the active participation of the state in investment activities, which would increase employment. A number of measures have been taken to promote business activity, increase the number of small and medium-sized enterprises, and stimulate employers to create new jobs. Particular attention is being paid to regional policy, in view of the enormous regional disparities in the levels of employment and unemployment, and in the material and financial resources available for job creation. For this reason, present employment and unemployment policies aim to make the regional programmes more active.

A National Employment and Unemployment Plan is being drafted. Several regional employment programmes funded by international organisations and institutions are also under implementation. In this respect, closer co-operation with the EU in establishing and using structural funds would be very useful.

1. Introduction

1.1 *Objectives of the study*

The aim of this study is to provide a background analysis of the current situation on the Bulgarian labour market, in terms of employment status, employment policy institutions and employment policy delivery mechanisms. In addition, it aims to address employment policy issues and structures, with particular emphasis on the employment strategy, employment guidelines process and European Social Fund (ESF) activities. The study presents a comprehensive factual and descriptive analysis of the employment situation in Bulgaria based on existing data sources and identifies a number of key issues, emerging from the analysis.

1.2 *Methodology*

The methodology of the study follows demand and supply side labour market analysis based on statistical information gathered on a regular basis from the National Statistical Institute, the National Bank of Bulgaria, and the Ministry of Labour and Social Policy. For the purposes of the analysis, the authors have used indicators derived from the statistical information, as well as their own calculations. Some of the conclusions are based on expert evaluation and experience accumulated during work on labour market developments, as well as on the outcomes of case studies analyses performed in Bulgaria. Information on the labour market from case studies and other projects is also included.

The authors of the study are senior labour economists with abundant experience in labour market analysis and evaluations. The National Expert - Ms. Iskra Beleva, Senior Research Fellow, Doctor of Economics - prepared the following parts of the study: chapters 1, 2.1, 2.3, 3, 4, 5, and the major parts of chapters 7 and 8. Mr. Vasil Tzanov , Senior Research Fellow, Doctor of Economics, prepared 2.2, 7.3, 8.3 and parts of 8.4. Ms. Teodora Noncheva, Doctor of Economics, prepared the parts on macroeconomic general trends in the labour market situation in Bulgaria in chapter 2. Ms. Irena Zareva, Research Fellow, supported the team in preparing the project proposal and acted as consultant in the part on education and vocational training. The Bulgarian National Observatory prepared the part of the project related to the vocational education and training systems, chapter 6.

1.3 *Limitations*

The analysis of the labour market in Bulgaria met a number of limitations, in terms of the availability and reliability of statistics. These limitations may be grouped as follows:

- lack of statistics and information on working age population by regions; ethnic aspects of employment and unemployment; supply of hours; the training of the employed; reintegration into the labour market of unemployed people who have completed training courses;

- lack of regular statistics and information on hidden employment, evaluations of the hidden economy, evaluation of active labour market programs;
- breaks in the time series on employment by sectors;
- low reliability of some indicators - e.g. gender employment by sectors.

The calculation of some derivatives - e.g. labour force participation rates - also met limitations. The Labour Force Survey (LFS) presents the working age population and employment in different aggregations. Consequently, labour force participation rates by age groups are calculated from respective age groups as reported for the population 15 years of age and over. Labour force participation rates by regions are calculated as a ratio of employment to the population 15 years of age and over, since working age population data by regions is not available.

The data limitations will be discussed in more detail in direct connection with the text, when data is used. Here we would like to mention that the authors regarded the review of data availability and reliability as one of the targets of the study. We try to make some recommendations in this respect as well. A presentation of the data sources used, with comments, will be found in Chapter 11.

2. Labour Market Situation in Bulgaria

2.1 General trends

Since 1990 a fundamental process of transition has been taking place in Bulgaria, from a totalitarian regime and centrally planned economy to a pluralistic democracy and market economy. In order to understand the tremendous challenges that the society faces during the transition, it should be underlined that in pre-transitional Bulgaria the state owned and controlled virtually all spheres of economic, political and social life. The state had an overwhelming role in the economy, being the only owner and the only employer. Thus it was able to ensure full (and compulsory) employment for the entire able-bodied population. A centralised system of re-distribution was developed to provide social services to the people at a uniform level and quantity, although necessarily at the expense of quality. Education was provided free of charge and almost 100% of school age children were enrolled, due to the strong control ensured by the authorities. A number of social incentives were developed, such as an early retirement age (55 years for women and 60 for men, though for some categories of work it could be 45), pensions close to the level of the average working salary, and social benefits (2-year paid maternity leave, stipends for university students, etc.). The ruling party and its satellite public organisations created and pretended to strictly implement the concept of a society of equality and justice.

With the start of the reforms Bulgaria had its long-awaited opportunity to make new choices for the future. Since then four Parliaments, nine Governments, and three Presidents of Bulgaria have been trying to identify a path that will take the country out of its deep economic crisis and isolation and will bring it into the family of modern European societies.

The reform agenda included creating a pluralistic political system (the first democratic elections were held in 1990), adopting a new Constitution (1991), guaranteeing human rights and freedom, liberalising the economy, reforming the state administration, and developing civil society. However enthusiastic it was at the beginning, the process of transformation soon proved to be difficult and uneven. In 1996 the country faced the deepest economic crisis it has ever experienced in its modern history. This was due to various internal and external factors, e.g. the lack of political and social consensus on the reforms, the high dependency of the Bulgarian economy on the former CMEA block, the Gulf War and the Yugoslavian embargo. As a result, a Currency Board Regime was introduced in June 1997. Its aims were to achieve macroeconomic stability, lower inflation and encourage structural reforms. Thus, the Bulgarian economic adjustment to EC criteria, and its labour market adaptation in particular, have to be considered within the terms and conditions of the Currency Board restrictions.

Starting with the first stabilisation programme in 1991, drastic measures have been taken for the transition towards a market economy. These include the liberalisation of prices on the domestic market and of the foreign trade regime, the establishment of a currency market, and floating exchange rates depending on demand and supply. In spite of the reforms, the ineffective stabilisation programme during the period 1990-1997 resulted in unstable economic growth. As a result of the production decrease in the first year of transition, labour productivity started to fall. It then stabilised as a result of economic growth in some sectors of the economy, e.g. in state-owned export-oriented industrial firms (primarily in the metals and chemicals industries), and in the private sector. But in 1996 and 1997, the gross domestic product fell sharply and labour productivity declined by more than 10% (Table 2.1)

Table 2.1: Economic Development in Bulgaria 1989-1998

Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
GDP Indexed 1989=100	100.0	90.9	80.3	74.4	73.3	74.6	76.8	69.0	64.2	66.8
Real GDP, annual rates - %	Na	-9.1	-11.7	-7.3	-1.5	1.8	2.9	-10.1	-6.9	3.5
Employment - yearly changes - %	-	-6.2	-13.0	-8.2	-1.6	0.6	1.3	0.1	-2.6	-2.9
Real wages – yearly change - %	-	5.3	-39.0	12.8	1.1	-17.9	-5.5	-17.6	-18.8	22.3
Productivity ** yearly change - %		-3.1	1.4	-3.2	-4.4	2.1	1.1	-9.9	-6.5	4.8
Inflation rate - yearly change - %	Na	23.9	338.5	79.4	56.1	87.1	62.1	123.0	1087.8	22.3
ILO Unemployment - rate	Na	Na	Na	Na	21.4	20.5	14.7	13.7	15.0	16.0
Registered Unemployment***	Na	1.5	6.7	13.2	15.7	12.8	11.7	12.5	13.7	12.1
Real Gross Income per capita, Indexed 1989=100	100.0	96.2	59.0	63.5	60.4	53.6	49.0	33.5	28.4	36.9

*Source: Statistical Yearbook, National Statistical Institute, Bulgarian National Bank, Annual Reports for the respective years. ** Calculated as gross value added per employee ***End of the year*

The Currency Board regime introduced in the summer of 1997 pinned the Bulgarian lev to the D-Mark at 1000 BGL to 1 DM. It has brought stability to economic development, and during the second half of 1997 GDP grew compared to the same period of 1996. In 1998, economic growth reached about 3.5%. Despite the stable macroeconomic and economic growth in 1998, the pre-transitional level has not been reached. The GDP for 1998 is only 66.8% of GDP for 1989. Thus, the recovery process is still ongoing. If the envisaged economic growth of about 3.7% for 1999 and about 5% for 2000 is reached, this will strongly support the recovery process.

Industrial production growth is strongly influenced by two factors:

- the restructuring of the economy, which has been delayed in recent years;
- the reallocation of exports and imports on the one hand, and on the other hand the series of negative influences that have affected exports and imports as a result of the Gulf war, the Yugoslavian embargo, the recent problems in Kosovo, etc.

Redirection of trade

The collapse of the trade system of the former CMEA, through which Bulgaria conducted two-thirds of its trade, caused an abrupt decrease in domestic demand. The process of reorientation of Bulgarian exports is still continuing and recently nearly half of all exports have been to EU countries. current account in 1998 was negative and the expectations for 1999 are similar. The trade balance in 1998 was also negative. The main challenge for Bulgarian exports is international competition and the need to adjust its quality to higher standards. Despite the decrease of the Bulgarian foreign debt, it remains about 10 billion US$ (Table A1 in Annex.)

The slow recovery process and the difficulties which industrial production continues to face limit job creation and increases in employment. The negative changes in gross fixed investment (in real terms) and the low foreign investment flows[1] have additionally contributed to the limited job opportunities and the continuing decrease in employment.

Table 2.2: Structural change in the Bulgarian economy 1992-1997 - yearly change (%)

Sectors	1992	1993	1994	1995	1996	1997	1998
Industry							
Production in industry	-15.9	-10.9	8.5	5.4	0.1	-8.6	-12.7
Employment in industry	-13.2	1.8	4.4	-1.1	-4.8	-5.7	-2.2
Labour productivity in industry*	-3.2	-12.5	3.9	6.5	-5.1	-3.1	-10.8
Agriculture							
Production in agriculture	n.a	n.a	n.a	16.0	-11.5	17.4	-1.1
Employment in agriculture	-	-	-	5.5	0.7	-5.9	5.7
Labour productivity in agriculture **	-	-	-	9.9	-12.2	24.4	-6.5

Source:Calculated on the basis of data from Statisticheski Spravochnik, National Statistical Institute, S., 1998
** Industrial production/employed. ** Agricultural production/employed*

Privatisation

The transformation of state property plays an important role in economic restructuring and labour market development. The privatisation of all sectors of the economy, and of the industrial sector in particular, where the state was the only owner and employer, has a tremendous influence on employment. Bulgaria has initiated a broad packet of measures for the privatisation of property, including direct sales of big state enterprises through tenders, sales of enterprises or parts of them through the ministries in charge, sales of municipal property; and mass privatisation through bonds in two stages, the second of which is now going on. By mid-1999, almost 64% of the state assets that have been listed for privatisation have been sold under the above mentioned privatisation schemes.

So-called "small-scale privatisation" includes the selling of municipal property up to the amount of assets stipulated by law. The restitution of housing and land to pre-war owners has been completed too.

The recent government's privatisation programme aims to privatise 70% of state assets by the end of 1999. The expected impact of privatisation on the labour market is a further reduction of employment. Because of this, the efforts of the government focus on the development of various job creation schemes.

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[1] About $2000m for the period 1990-1998, of which less than half results from the privatization process.

Employment

Employment in the state sector in the period under consideration has decreased by more than one third, the main factors being the process of property transformation and the closure of state enterprises accumulating losses. After the period 1990-94, when a substantial decline in employment was observed, the unemployment rate started to decrease and finally stabilised at the high level of over 12%.

The structural changes in the economy, shown in Table 2.2, reflect the different speed of the reforms in industry and agriculture. The radical agricultural reform carried out in 1992-93 resulted at first in a sharp decline in agricultural production, but from then on a process of recovery has been observed. The increase in agricultural production after 1994 and the slower increase in employment is reflected in labour productivity growth. The opposite process has been observed in industry, where no recovery of growth has been observed until now, because of the delay in economic reforms.

Inflation and wages

Inflation has recently dropped to just one% (December 1998), from 578.5% a year earlier (December 1997). Inflation was one of the main factors causing uncontrolled price increases and the impoverishment of the population. Only in 1997, under the Currency Board system, did it become possible for anti-inflation policies to achieve a permanent effect.

Due to several inflation shocks and the restrictive income policy at the beginning of 1997, real wages in the public sector fell to their lowest level. In 1998 an increase in real income was recorded, but real wages in the public sector were still below the pre-transitional level. A direct influence of the wage level on employment is not observed, due to the imperfect labour market. Despite the low wage level, the labour supply continues to be high and labour demand rather low.

Taxes

It is not easy to follow a consistent fiscal policy in a politically and economically unstable situation. For this reason, a series of corrections regarding taxes have been used mainly as an instrument for achieving macroeconomic stability. The tightening of the incomes policy in the public sector was also directed to this end. The contraction of the tax base due to the decline in the GDP and the expansion of the shadow economy has led to frequent changes in the tax rates and in the funds subject to taxation. Attitudes of uncertainty and tax avoidance have become general in the country. Although the revenues in the budget have decreased, expenditures have remained relatively unchanged.

Vocational education and training

One of the sectors almost fully subsidised by the state budget is the educational system. The educational system, and vocational training in particular, were strongly linked to the reproduction of the labour force under the centrally planned economy. The building of the labour market and the restructuring of the vocational education and training system destroyed the previous relations. As long as there is no systematic analysis of the skills needed on the labour market, the links between the two systems are quite weak. Meanwhile, vocational education and training, as an integral part of the educational system, is in a process of restructuring by developing a new system of national standards, qualifications, curricula, etc. The reforms undertaken have limited financial resources - the share of expenditure on education has declined during the transition from 4.9% of GDP in 1990 to 2.8 in 1998. Only recently has the importance of vocational education and training again been recognised as an integral part of economic restructuring and an important factor in balancing labour market mismatches.

2.2 *Wage structure, social security and taxes*

Wage development and income policies

The reforms of the wage determination system in the Bulgarian economy started from a rigid central pay system, low wages, and very low wage differentials. In addition, the wage structure was formed more as a function of the type of work that was done than of skill requirements and employee performance. Parallel with the introduction of collective bargaining, restrictive measures were taken that aimed to restrain wage growth in the state sector. The objectives of the restrictive income policies were to contribute to the stabilization program and restrain the inflationary potential of wages.

Table 2.3: Average earnings per month, 1989-1998

Indicators	1989	1990	1991	1992	1993	1994	1995	1996*	1997	1998
Indices of average gross nominal earnings, indexed 1989=100	100.0	137.9	369.3	747.1	1179.2	1810.2	2776.6	5252.6	51693.4	75961.7
Real average gross earnings, indexed 1989=100	100.0	111.3	68.0	75.3	69.1	56.7	53.6	47.8	42.5	51.0
Indices of Real minimum wage, (1990=100)	-	100.0	76.8	57.3	61.8	47.3	40.8	28.3	21.2	26.2

Source: Statistical yearbook, National Statistical Institute (NSI), respective years and Ministry of Labour and Social Policy.
** After 1996 based on NACE branch classification.*

Since 1990 Bulgaria has experienced an erosion of real incomes. The nominal growth of gross earnings has been extremely high (see Table 2.3). However, for the period 1989-1998 the average wage in real terms has declined by half and the level of the minimum wage has fallen by nearly two thirds. Due to the erosion of real wages, the workers resort to income and consumption in the informal economy.

The minimum wage has played an important function in Bulgarian income policy: it has served as a basis for determining salaries in public administration and for the calculation of many social payments (unemployment benefits, child allowances and other social payment allocations).

Table 2.4: Replacement ratios of minimum payments, 1991-1998, (BGL, %)

Ratios	1990	1991	1992	1993	1994	1995	1996	1997	1998
Minim.wage/ Av. wage,%	43.1	54.2	35.9	38.3	35.7	32.6	27.4	23.9	24.6
Min.pens./ Aver. wage,%	27.2	35.3	22.0	23.5	22.9	20.6	16.8	15.6	17.4
Unem.ben./ Av. wage*, %	43.8	62.2	43.9	33.6	30.8	29.8	29.1	29.5	32.0
GMI/ Aver. wage, %**	18.5	33.9	19.4	23.9	21.0	18.7	16.4	13.6	14.9

Source: Calculated on the basis of data from Ministry of Labour and Social Policy.
* *End of the period.*
** *GMI is the Guaranteed Minimum Income.*

The minimum pay as a ratio of the average monthly pay for the country has fallen from around 50% to around 25% between 1991-1998 (Table 2.4). The ratio of other minimum payments, e.g. the minimum pension and guaranteed minimum income (GMI), is even lower. This means that the minimum wage has not fulfilled its social and economic function - to protect the workers from poverty.

Wage differentiation

The fall in real wages, and the sharp decline in the minimum wage and all other social payments since 1989, have been accompanied by a substantial increase in wage differentiation by sectors, regions, occupations and social groups. The difference between the remuneration of workers in budgetary organisations and in state enterprises increased significantly until 1996 and have since fallen slightly (Table 2.5). For instance, the average wage in the state enterprise sector exceeded the one in the budgetary organisations by over 66% in 1997, while this difference in 1990 was only 7%.

Table 2.5: Wage structure, 1989-1998, (average earnings each year = 100),%

Indicators	1990	1991	1992	1993	1994	1995	1996	1997	1998
Average gross earnings	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	111.4	97.3	76.1	70.9	69.8	70.3	78.7	84.5	116.6
Industry	92.6	95.3	109.6	107.7	107.9	111.1	123.6	NA	NA
Construction	106.9	113.0	114.6	108.4	111.6	103.1	100.0	91.1	98.1
Financial services	108.2	140.6	159.9	196.0	189.6	187.8	181.0	152.9	151.4

Source: Statistical Yearbook, National Statistical Institute, for the respective years; Statisticheski spravochnik, National Statistical Institute, 1998, pp. 51-52; data from the Ministry of Labour and Social Policy. Own calculations.

There are differences between the pay of employees in the state sector and in the private sector. According to preliminary statistical data for 1998, the average wage in the public sector has been 38.5% higher than in the private sector. This is due to a systemic under-reporting of wage levels in private enterprises trying to pay less taxes and social contributions. Statistical specialists conclude that the information on wages available in the private sector is not reliable.

During the period of transition the differentiation in labour force remuneration by sectors has become stronger (Table A2). The wage gap has increased mainly between the monopolistic and subsidised sectors (energy, coal mining, metallurgy), and the other sectors. This restructuring of relative wages has not been due to any concurrent improvement of the economic results but rather to the monopolistic position of these sectors.

Regional differences in the level of wages have not been so great but they are tending to increase (Table A2.1). The lowest pay is characteristic of regions that are predominantly agricultural or where heavy industry and machine construction prevail (Lovech, Russe, Montana - North Bulgaria). It is envisaged that further differentiation in payment will take place as a result of the on-going restructuring of the Bulgarian economy.

Inequality

The differences in the types of incomes and especially the extension of the informal economy are contributing to the formation of a two-polar model of income stratification. Inequality between households, measured by the coefficient of Gini, is steadily increasing (Table 2.6). The value of the Gini coefficient in the country has approached the levels in developed countries. For the period 1990-1996 income inequality increased by 71%. This trend reflects the growing share of income received by the richest households, which represent 20% of all households, compared with the total income. The data suggests that income transfers have been taking place from the low income groups to the high income groups.

Table 2.6: Income inequality, 1990-1997

Indicators	1990	1991	1992	1993	1994	1995	1996	1997
Gini coefficient	0.23	0.24	0.33	0.34	0.37	0.38	0.39	NA
Ratio between incomes of the bottom 20% of the households to the top 20%	-	-	3.5	5.1	6.0	6.5	5.8	5.9
Share in total national gross household incomes of:								
▪ bottom 20%	NA	NA	8.3	7.9	7.2	7.1	7.2	7.2
▪ top 20%	NA	NA	40.0	40.6	43.5	43.2	42.1	42.6

Source: Household's Budgets in Republic of Bulgaria, National Statistical Institute, 1996, p. XV.

Social Security

Bulgaria has 2.5 million pensioners out of a population of 8.3 million. In the public "pay-as-you-go"[2] pension system each contributor supports 0.84 pensioners, a situation which results in low wage replacement values, high social security tax rates (35-50% of gross wages) and widespread evasion by the private sector. In 1998 pensions corresponded to 32.6% of the average monthly wage. In purchasing power this corresponds to only 35.2% of what could be bought for an average pension in 1989. The minimum state pension in 1998 was set at BGL 36 258 (nearly US$ 20) and the maximum pension is BGL 81 000 (US $ 47).

Table 2.6: Pensions and social benefits, 1989-1998, (%)

Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Real average pension, indexed (1989=100),%	100.0	96.6	68.3	57.7	54.5	45.8	39.1	32.2	25.7	35.2
Ratio Aver. pension to Aver. wage, %	42.7	37.0	42.9	32.7	33.7	34.5	31.2	29.6	28.5	32.6
Real GMI*, indexed (1990=100), %	NA	100.0	88.3	72.1	90.0	64.8	54.5	39.4	28.0	36.9

Source: Statistical yearbook, National Statistical Institute, respective years, from the Ministry of Labour and Social Policy.
** GMI is the Guaranteed Minimum Income.*

Financial problems related to the pension system have been rather tough issues both for the Social Security Fund and for the consolidated state budget as a whole. These problems have resulted mainly from a deteriorating demographic structure, a high percentage of age dependency, the emigration of people of working age, and the inability of the existing "pay-as-you-go" system to motivate people to make higher social security contributions.

Taxes

The main sources of tax revenues are the profit tax, the value added tax, the income tax and contributions paid to social insurance. Since 1994 national tax policy efforts have been chiefly oriented to continuous tax decreases. Nevertheless the rate of profit taxation is rather high - it has been set at 40%, recently reduced to 37%. Value Added Tax, introduced after 1994 and set at 18%, was increased to 22% in 1996 and reduced to 20% in 1998 (Table A2.3 in Annex).

Tax revenues were projected to yield approximately 23% of GDP in 1997 (compared to 32% in 1994). About 10 percentage points are accounted for by indirect taxes and 13%age points by direct taxes on income and profit. Half of this amount is social security contributions, and the remaining part is equally divided between personal and corporate income taxes.

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[2] A "pay-as -you-go" pension system implies that the social tax contributions of the present active population supports the present pensioners. Thus there is an income redistribution between generations.

Tax levels are considered to be high, which evokes evasion of taxes on the part of both employees and employers. According to employers, labour taxation brings an increase in labour costs, although labour costs are relatively low. The high tax rates discourage employers from expanding employment or provoke them to avoid payment of taxes, thus contributing to the growth of the shadow labour market. Due to high social security deductions, both state and private firms have incentives to hire workers officially at close to minimum wages and provide additional compensation by some other means. (OECD,1997, p.53)

Social security contribution

Social insurance contributions are 37% of average gross wages.[3] The percentage ratio varies from 25 to 50% of the gross wage, depending on the category of labour. Contributions paid to the Professional Qualification and Unemployment Fund (PQUF) are 4.5%, which is shared between the employers and employees in the proportion 4:1, i.e. the employer pays 3.6% and the employee 0.9% (Table 2.7). From June 1999 onwards, the percentage ratio is to be shared equally between employers and employees. Payments to the Health Fund (liable to payment from mid-1999) amount to 6% and are to be shared by employers and employees on an equal basis. From mid-1999 on, the sick leave benefits paid by the social insurance system will be taxed by a social insurance tax.

Table 2.7: Social security and health insurance contribution rates, % of gross wage

	Employers	Employee	Total
Social insurance contributions	37.0	2.0	39.0
Unemployment insurance	3.6	0.9	4.5
Health insurance	3.0	3.0	6.0
Total	43.6	5.9	49.5

Source: According to the existing legislation

Employees' contributions include 2% personal social insurance tax, paid by employees, contributions to the "Professional Qualification and Unemployment Fund" (as much as one fourth of the total contribution) and 3% tax to the Health Fund (to be paid from mid-1999 on).

Income tax

Taxation on incomes includes progressively increasing schemes of wage taxation and annual taxation of total individual incomes. A monthly wage of up to BGL 60 000 (US$ 33) is tax free. Higher wages are taxed at a rate varying from 20 to 40%, depending on the total amount of the gross wage, and the rate increases progressively so that a wage amounting to BGL 1 280 000 (US$ 711) has been taxed at the highest rate - 40%.[4]

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[3] It is calculated as an average weight indicator.

[4] If an individual has received other income during the year - such as rents, income from agricultural production sales or civil contract income, her/his total annual income, including the annual gross wage, is taxed once again under the following scheme: annual income up to BGL 720 000 (US$ 400) is free of tax; if it is higher than the above sum the tax rates vary from 20 to 40%. The highest rate of 40% concerns incomes over BGL 15 360 000 (US$ 8500).

This means that the average tax burden on labour is between 46.6% and 60% of total labour costs, depending on the income tax rate.

Value added tax

In addition the population pay indirect taxes on consumer goods. Value added tax was reduced from 22 to 20% in 1998. There are also excises on alcoholic drinks, cigarettes etc., which are part of household expenditure.

2.3 Key Issues

The development of the labour market in Bulgaria faces a number of problems, of which several should be outlined as being most important in the light of its further development and EU integration.

The *lack of job creation* is the first and the most significant problem. The economic reforms and the restructuring of the economy, as well as poor investment, still continue to lead to *job destruction* instead of job creation. The macroeconomic reforms implemented after 1990 in fiscal and monetary policy, banking, prices and privatisation, did not consider the changes in labour demand. In general the effects of the macroeconomic environment on labour demand have been negative and have contributed to the increasing regional disparities of labour demand.

The second problem is related to unemployment. Because of the high labour force participation compared with the low labour demand, the Bulgarian labour market faces *high unemployment rates* and *significant long-term unemployment. Youth unemployment* and the labour market *marginalisation* of women and some ethnic groups are tremendous problems.

The third problem concerns the *labour market mismatch.* Although labour demand has not been high, placing the unemployed in the existing available jobs encounters qualification and professional mismatches. There is a high level of unskilled and low educated unemployed and at the same time Bulgaria has implemented more rigid criteria related to the eligibility of the unemployed for training and retraining schemes. At the same time, the restructuring of the economy has not been accompanied by an active training and retraining policy for the employed.

The fourth problem concerns the relatively *poor efficiency of the active labour market policies* implemented until now. The limited financial resources are spent on different types of active labour market policies, and at the same time there is no permanent analysis and assessment of the efficiency of the design, the targeting, the management of the labour market programmes and their timely improvement.

The next problem results from the *unclear division of responsibilities* between different levels of governmental structures and civil society in the establishment, implementation, management, monitoring and control of labour market activities. There is a high level of centralisation in the programme design and implementation. The initiatives of the local authorities for increasing employment and unemployment reintegration have been insufficient.

The sixth problem is the substantial growth in *inefficient wage differentials.* The wage gap between monopolistic and subsidised sectors (energy, coal mining, metallurgy), characterised by low productivity and inefficiency, and the other sectors has been increasing. The observed relative wage restructuring has not been due to the economic results but rather to the monopolistic positions of these enterprises. This has resulted in two negative effects on the labour market: first, an increase in labour force fragmentation and labour market segmentation; second, the labour allocation and labour market restructuring do not correspond to economic efficiency.

The last problem that should be outlined as a key labour market issue is the *excessively low minimum wage,* which does not protect wage earners from poverty. The minimum wage is used as a tool for regulating salaries in public administration and some social benefits (unemployment benefits, child allowances, etc.). It has been kept under control and has consequently lagged behind inflation and the average wage. The negative effect does not just concern the workers paid at the minimum wage. Employees in the public sector are more affected because their salaries are connected with the minimum wage. The wages paid in the whole public administration, and especially in health care and education, are very low. The low wages decrease labour motivation, increase corruption and encourage outflow from employment in this sector. Thus the public administration lacks skilled and qualified employees.

3. Employment

3.1 *General changes in employment*

The present economic transformation in Bulgaria has been characterised by a significant decline in employment. In fact, for the period of transition employment has continuously decreased and at present the aggregate decline numbers over one-and-a-half million people. This is nearly one-fourth of the employment level in 1990 (Table 3.1).

Table 3.1: Employment in Bulgaria (thousand and %)

	1989	1993	1994	1995	1996	1997	1998	1989-1998 cumulative change
Total employment - thousand	4366	2994.6	2868.7	3031.5	3085.4	3030.1	2920.7	-1445.3
Yearly change,%	-	-31.5	-4.3	5.6	1.7	-1.8	-2.7	-33.2
Women	2059	1395.6	1336.3	1421.8	1448.4	1413.9	1367.2	-691.8
Yearly change,%	-	-32.3	-4.3	6.3	1.8	-2.4	-3.4	-33.6
Female share in total employment,%	47.1	46.6	46.5	46.9	46.9	46.6	46.8	
Men	2307	1599.4	1532.4	1609.7	1637.0	1616.2	1553.5	-753.5
Yearly change, %	-	-30.7	-4.2	5.0	1.6	-1.3	-3.9	-32.7
Male share in total employment,%	52.8	53.4	53.4	53.1	53.1	53.4	53.2	

Source: LFS 1993 - September, 1994 - October; 1995 - October; 1995 - November; 1996 - November] 1997 - November; 1998 - November.

The decline in employment results from the sharp drop in labour demand due to both internal and external shocks that the local economy has had to endure ever since the beginning of the period of transition.

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Changes in the state sector and agriculture

For a better understanding of the declining employment rates, we will first present an overview of the problems of employment in the state sector. State enterprises, which were the main employers in the former socialist planned economy, collapsed in a production crisis resulting from the loss of their external supplies as well as their markets abroad. The radical liberalisation of the economy that started in 1991 confronted state companies with the problems of free pricing and the necessity of increasing production efficiency and, consequently, decreasing the number of people employed. During this period a policy sharply decreasing state support was adopted. All these developments led to a decrease in employment, initially in the form of paid and unpaid leaves and later in the form of dismissals. Partial or suspended payment of wages has been one means of keeping personnel on for some time longer. In the long run, however, some of the state enterprises must be closed and some restructured.

Employment in major state enterprises is still an unresolved question. Restructuring is expected in the near future. Hence, part of the existing employment is in fact virtual, since the employees do not receive regular pay. The liabilities of state enterprises to their employees, to other state enterprises and social security institutions continue to be a problem in the period of transition.

Between 1989 and 1992 employment in agriculture declined. This was due to a rather radical reform, in which existing enterprises, co-operatives and structures were literally liquidated while the accompanying process of restoring the ownership of land was still going on. The development of private farming was limited because legal rights of ownership of land had not yet been settled. This made market operations with agricultural land impossible and also led to problems for job creation in this sector. In 1993, employment in agriculture started to rise again, but it is still under the 1989 level (Table A2.3).

Falling employment rates

Employment rates - total and by gender – have declined significantly compared to the pre-transitional level (Table 3.2). This is easy to understand since in the centrally planned economy participation in employment was obligatory for the entire working age population. Female employment rates were higher than male employment rates in the pre-transitional year, but during the transition female employment rates have fallen below male rates. There are a number of factors behind the sharp decline in female employment rates. Two important factors are, first, that women can now choose whether they want to participate in the labour force and, second, that women are the first to be fired when enterprises face economic problems.

Table 3.2: Employment rates by gender, 15-64 years of age, 1989-1998

Years	Total	Female	Male
1989	87.3	87.6	87.1
1993	52.1	48.2	66.2
1994	50.5	46.7	54.4
1995	53.7	49.6	57.1
1996	54.3	50.5	58.2
1997	53.7	49.8	57.6
1998	51.7	48.0	55.5

Source: LFS - 1993 - September; 1994 and 1995 - November; 1996 - 1998 November.

The employment rates by gender and age groups show the serious problems young people - 15-24 years old – face in entering employment (Table 3.3a). The existing employment rate for this group (22 -20) is lower than the average for the EU by about 10%age points.

Employment rates for women are lower than the average for the country and there is a significant gap between the female employment rate in Bulgaria and the EU (Table 3.3b). The sharp decrease in female employment rates in 1994 for the 50-64 age group is due to the decline in employment of this age group by nearly one-half. To a great extent this decline was caused by the new legal entitlement to early retirement. Meanwhile the male employment rate in the same year is quite high compared to the other years, which is due to the very high number of employed males in this year.

Table 3.3a: Employment rates by age groups 1993-1998 (total 15-64 years of age)

Age groups	1993	1994	1995	1996	1997	1998
15-64	52.1	50.5	53.7	54.3	53.7	51.7
15-24	22.7	21.0	20.7	21.1	20.2	20.7
25-49	74.7	72.3	76.3	75.2	72.3	72.3
50-64	35.2	33.9	36.8	37.4	38.8	37.7

Source: LFS for the respective periods. Employment/working age population - 15 years and over.

Table 3.3b: Employment rates by age groups and gender 1993-1998 (15-64 years of age)

	1993		1994		1995		1996		1997		1998	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
15-64	48.2	56.2	46.7	54.4	49.6	57.1	50.5	58.2	49.8	57.6	48.0	55.5
15-24	23.3	22.2	21.0	21.0	19.8	20.7	20.2	22.6	19.2	21.1	20.0	21.3
25-49	76.1	72.4	69.8	74.9	76.4	76.2	76.1	73.7	65.9	85.1	74.4	70.1
50-64	41.8	27.9	24.7	44.1	41.2	31.1	41.8	31.6	48.7	29.9	41.6	33.4

Source: LFS for the respective periods. Employment/working age population

Employment rates by education indicate that the participation in employment of people with secondary general and primary or lower education is more problematic than that of people with higher and secondary vocational education (Table 3.4.).

Table 3.4: Employment rates by education - rates

Age group	Total	Higher	Semi-higher	Secondary vocational	Secondary general	Primary or lower
Sep'93	78.6	90.3	91.3	83.4	77.8	69.8
Oct'94	79.4	91.9	91.1	84.1	79.3	69.0
Oct'95	85.3	94.7	94.9	88.7	85.7	76.1
June'96	86.5	95.4	94.3	89.3	86.8	78.4
June'97	85.0	95.5	92.7	87.4	84.6	77.2
Nov'98	84.0	93.3	92.8	86.6	84.3	73.5

Male

Age group	Total	Higher	Semi-higher	Secondary vocational	Secondary general	Primary or lower
Sep'93	64.2	90.0	90.4	73.4	51.5	64.2
Oct'94	62.0	92.0	84.1	71.1	46.6	62.0
Oct'95	65.0	93.4	88.0	77.2	49.5	65.0
June'96	65.9	94.4	85.8	76.7	50.1	65.9
June'97	65.2	92.6	87.7	75.6	49.8	65.2
Nov'98	62.5	91.4	84.4	73.3	44.0	62.5

Female

Age group	Total	Higher	Semi-higher	Secondary vocational	Secondary general	Primary or lower
Sep'93	61.6	83.6	85.3	71.6	60.7	46.5
Oct'94	59.2	86.6	87.0	71.5	58.7	39.9
Oct'95	63.1	90.5	90.6	75.5	61.6	43.8
June'96	63.5	91.5	91.1	75.3	62.6	43.4
June'97	62.6	89.3	88.7	73.6	60.9	43.2
Nov'98	60.1	87.3	88.4	72.1	58.7	37.4

Sources: Calculated from LFS data for the respective periods

3.2 *Structural change in employment*

The years of transition have brought some substantial changes in the structure of employment by sectors (Table 3.5). The changes include the following general implications:

- a decrease in employment in industry;
- an increase in agricultural employment;
- employment in the budget-financed sectors (education, health, culture, science) has not decreased as a share of total employment, but in absolute figures the decrease has been significant;
- employment shifts have resulted mainly from the volume drop in production and are not so strongly related to labour productivity growth. This feature of the employment changes emerges from a comparison between the changes in employment and in labour productivity in industrial sub-branches (Beleva, I. 1998, N2, p. 5).

Table 3.5: Employment by sectors 1989-1998 - % of total

Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Proportion in ind.%	37.7	36.6	34.5	32.6	30.4	35.0	34.2	32.6	31.9	31.8
Proportion in agr.%	18.6	18.5	19.5	21.2	22.1	23.2	24.2	24.4	23.8	25.6
Proportion in services %	34.4	35.7	37.8	38.9	39.8	41.7	41.5	43.1	44.2	42.5

Source: National Bank of Bulgaria, Annual Report 1998; Statisticheski Spravochnik, National Statistical Institute, 1994, p. 82

Agriculture

The present increase in employment in agriculture is a result of the restoration of property rights in agricultural land, which has affected employment predominantly in the private sector. Statistical data show that approximately half of the employment is in the private sector. Employment in agriculture is characterised by:

- its seasonal character;
- a low individual capacity to develop profitable farming;
- an unfavourable environment - high interest rates and limited availability of credit and insurance for seed, fertilisers, agricultural machines, etc.;
- internal and external market rigidities;
- a low level of social insurance coverage and workers' labour protection.

Industry

Employment in industry has undergone considerable changes too, reflecting the on-going process of restructuring in industry (Table A 3.0, Annex). These changes may be traced in:

- a substantial decrease in employment in the mining industry, by almost one third;
- a decrease in the number of people employed in the processing industry;
- an increase in employment in the energy sector;
- a 50% decrease in employment in construction.

Services

Changes in employment in the services sector in practice reflect the low starting level in this sector. Employment here implies activities that have been initiated since the beginning of the period of transition and are comparatively new for the country - banking, financial operations, stockbrokers' services and administrative services. It is mostly young people with high qualifications and skills who are involved. It should be noted too that the state sector still has an advantage over the private sector as far as labour demand is concerned - during 1998 three-quarters of the people involved in services were in the state sector and one quarter in the private sector.

The service sector includes education and health care, two systems in a process of radical restructuring that are still financed by the state budget as a whole. People employed in these two sectors receive lower pay than the average for the country, working conditions are far from good, and the opportunities for employees to improve their qualifications there have been minimised.

Table 3.6: Comparison of employment rates by sectors between Bulgaria and the EU, 1997*

Sectors	Bulgaria	EU average
Agriculture	17.7	3.0
Industry	21.3	17.8
Services	30.1	39.7

Sources: Employment Rates Report 1998, p.10, Commission of the European Communities, Brussels and National Statistical Bulletin of Bulgaria;
** Employment rates by sector time series can not be calculated because of the new sector aggregation since 1997.*

Comparing Bulgarian employment rates by broad sectors with EU averages in 1998, we see that there is a significant gap between the employment rates in agriculture (Table 3.6). In industry the employment rate in Bulgaria is higher than that in the EU, while the employment rate in services is lower in Bulgaria than in the EU.

3.3 Employment in the private sector

The development of private sector employment in Bulgaria has been rather modest during the first years of transition. This is a result of a number of factors, namely a sluggish process of privatisation, low levels of both internal and external investment; an unfavourable macroeconomic environment; high inflation and the incredible impoverishment of the population.

Table 3.7: Employment in the private sector – thousands and %

Indicator	1990	1991	1992	1993	1994	1995	1996	1997	1998*
Total employment	4097	3564	3274	3222	3242	3282	3285	3198	3106
Employment in Private Sector	250	277	611	912	1167	1348	1332	1681	1821
Share in total employment %	5.9	10.1	17.7	24.2	36.0	40.6	47.3	52.5	58.6

*Source: Statisticheski Spravochnik, , National Statistical Institute, 1997, 1998 p. 38-39. * Preliminary*

Nevertheless, the rapid expansion of the private sector in 1994 and 1995 contributed to the revival of moderate growth. In 1998 the private sector labour demand provides for more than half of employment in Bulgaria. The development of employment in the private sector reflects the specific features of the privatisation processes taking place in the country, which were commented on in the previous chapter.

Table 3.8: Private employment by sectors 1990-1998 – shares of total private employment in %

	1990	1991	1992	1993	1994	1995	1996	1997	1998*
Private sector employment	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0**	100.0
Industry	7.4	8.6	6.8	8.4	9.9	10.8	11.0	25.2	23.5
Agriculture	66.3	47.6	54.6	50.9	49.6	48.3	49.2	43.1	41.2
Construction	5.2	6.5	5.2	7.6	6.9	7.0	6.8	5.6	4.7
Transport	3.6	4.6	2.8	4.1	3.6	5.4	5.1	4.7	3.8
Trade	9.3	23.9	24.6	20.5	21.7	19.4	19.4	16.5	16.2
Housing	3.3	2.9	1.5	1.5	1.8	1.7	1.7	0.3	3.1***
Education	0.2	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Culture	0.5	0.5	0.4	1.2	1.1	1.7	2.1	-	1.4
Health	0.2	0.4	0.3	0.5	0.7	0.7	0.7	0.2	0.1
Finance		0.6	0.3	0.7	1.0	1.4	1.2	0.7	0.6
Administration	1.5	1.0	0.8	1.2	1.3	0.7	0.4	-	2.9****
Other	1.2	0.8	0.0	0.6	0.4	0.5	0.3	-	0.9

Source: Calculated on the basis of data from Statisticheski spravochnik 1995, NSI, p.63 and Annual National Bank Reports for the respective years.

** Preliminary.*

***1997 the reporting follows a NACE branch classification and some of the former sub-branches.*

**** Hotels and catering.*

****P [illegible]

It was the trade sector that initially expanded most within the private sector. The quick turnover of capital and the need for minimal investments for initiating profit-making activities have been the factors that have contributed to channelling employment into this sector of the economy.

Table 3.9: Employment in small and medium size enterprises - by September 1998 - private sector

Indicators	Total	up to 9 employees	10-19 employees	20-49 employees	50-99 employees	over 100 employees
share of firms in total number of firms	100	94.0	2.7	1.9	0.7	0.7
share of employed	100	18.2	9.2	14.6	12.3	45.7
average number employed	4	1	13	30	69	273

Source: Current economic conjection, monthly bulletins, NSI; September 1998

It should be noted that the share of people employed in the private sector in industry has been growing, especially in 1998. This is due to a number of sales of major (in terms of employment figures) state enterprises. Yet employment in the private sector remains minor relative to the number of employees (Table 3.9).

Most private companies employ on average only one person - 94% of private firms employ only 1 person, but they only employ 18.2% of the total persons employed in the private sector. This means that the predominant part of the private sector is represented by one-person companies that do not create sufficient labour demand.

3.4 *Regional distribution of employment*

The regional specifics in the distribution of employment reveal some substantial differences in relation to labour demand in the country. Employment rates by regions illustrate the concentration of labour demand in the capital and larger cities such as Varna, Burgas, Plovdiv. At the same time there are regions where labour demand is very depressed, e.g. Montana (North-West Bulgaria), Russe (Northern Bulgaria) Haskovo (South-East Bulgaria,), etc.

*Table 3.10: Regional Employment - total and by gender , %**

Regions	1993	1994	1995	1996	1997	1998
Total	43.5	42.7	43.9	44.7	43.9	42.4
Sofia	48.5	48.6	50.8	51.7	50.5	49.5
Bourgas	44.5	43.0	44.6	42.1	42.0	39.7
Varna	44.6	42.4	45.0	44.6	44.4	41.9
Lovech	43.3	41.4	42.3	43.0	40.7	39.7
Montana	36.9	34.9	35.4	37.0	33.5	34.9
Plovdiv	42.8	42.3	44.0	45.3	42.7	41.6
Russe	39.4	37.8	42.3	41.6	43.0	40.6
Sofia-area	40.2	42.6	43.0	45.0	45.2	44.7
Haskovo	47.2	46.8	43.3	46.3	47.7	43.5

Male

Regions	1993	1994	1995	1996	1997	1998
Total	47.9	46.8	48.1	49.0	48.4	46.6
Sofia	53.1	52.5	54.7	56.0	55.2	54.0
Bourgas	50.1	49.0	48.7	46.5	47.4	43.8
Varna	49.7	46.4	50.7	50.4	51.5	47.6
Lovech	47.1	44.9	46.8	46.3	43.6	43.8
Montana	40.2	38.1	38.5	40.5	37.1	39.1
Plovdiv	46.8	46.4	47.9	50.9	48.4	45.4
Russe	44.0	42.5	47.6	46.0	47.5	44.7
Sofia-area	43.8	45.9	45.9	48.2	49.0	48.0
Haskovo	52.5	51.4	47.5	50.3	50.3	48.6

Female

Regions	1993	1994	1995	1996	1997	1998
Total	39.4	38.9	40.0	40.7	39.7	38.4
Sofia	44.5	45.0	47.2	47.9	46.4	45.6
Bourgas	39.1	37.3	40.6	38.0	36.8	35.8
Varna	39.7	38.6	39.4	39.0	37.6	36.6
Lovech	39.7	38.0	38.0	39.9	38.0	35.9
Montana	33.8	31.8	32.5	33.7	30.1	30.9
Plovdiv	39.1	38.5	40.4	40.1	37.4	38.0
Russe	35.0	33.4	37.2	37.4	38.8	36.7
Sofia-area	37.9	39.5	40.2	42.0	41.6	41.5
Haskovo	42.1	42.5	39.3	42.6	45.3	38.7

*Source: LFS for the respective years. * Employed/population of 15 years of age and more*

At the beginning of the transition, regional differences in labour demand were defined chiefly by the degree of dismantling of the state sector and the availability of alternative possibilities for employment. At present, these factors continue to be of importance, but the degree of labour demand depends on the initiative of local business circles and the possibility of creating labour demand on the basis of a rational utilisation of available production capacity or the development of new capacity (Annex ,Table A 3.1).

There are areas where the successful privatisation even of one single state enterprise has been able to provide an increase in labour demand. This is the case with *Vidima Ideal,* Sevlievo (Northern Bulgaria), where one successfully functioning enterprise has created labour demand, thus developing the economy of the region.

3.5 *Hidden employment and hidden unemployment*

The hidden economy, understood as business activities employing people without recording the fact, and failing to declare real wages or provide employee coverage, has flourished during the period of transition.[5] One of the main reasons for the development of the local hidden economy is the lack of laws or rather the imperfection of laws regulating changes in the economy. As indicated in Chapter 2, the present tax system and the high tax burden are factors encouraging hidden economic activity.

There has not been any systematic monitoring of hidden employment or the hidden economy. Usually the evaluations made are indirect and are based on a methodology applied on an annual basis by the National Statistical Institute in an attempt to evaluate the gross domestic product more precisely. The methodology adopted is very much the same as that used in the EU countries in this area. Thus the share of the shadow economy according to the National Statistical Institute was 18% in 1997 and 21% in 1998.[6] According to other estimates, this share varied from 22.8% in 1989 to 36.2% in 1995 (EBRD, Transition Report, 1997, p. 74).

The private sector is the basic field where the shadow economy flourishes. An indicator for evaluating this is the size of social contributions paid. These contributions represent a fixed percentage of monthly salaries. It is a popular practice in the private sector to pay contributions on the basis of the minimum salary for the country, thereby hiding the actual amount of salary paid. In other cases, no social contributions are paid at all for the people employed in this sector, or employment is provided at the level of the minimum salary for the country.

National Social Security Institute (NSSI) data show that the share of social contributions paid by employers for 1996 for people employed in the private sector amounts to 5.8% of total contributions, while the state sector is responsible for the remaining percentage. Paradoxically, the share of people employed in the private sector amounts to 43.5% of all employed.

There are a number of indirect indicators of high employment in the hidden economy in the private sector in agriculture and construction. A case study from 1997 on hidden employment shows that the share of people employed that can be labelled as "hidden employment" exceeds more than half the people interviewed in the areas of agriculture, trade, and construction (Beleva, I., Hristiskov, J., Shopov, G., 1997).

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[5] The hidden economy here does not imply activities forbidden by the law such as narcotics traffic, prostitution, etc.

[6] Announcement of the President of the National Statistical Institute at his regular press conference with the mass media, February 1998

3.6 Vacancies and structural imbalance

The structural imbalances are a quite significant problem. They result from both the economic transformation and the structural reforms. Despite the importance of the structural imbalances, the statistical information about labour force changes by professions, occupations and qualification is very poor. Therefore, the structural imbalances are analysed mainly on the basis of vacancies and unemployment statistics (Table 3.11).

Table 3.11: Registered number of unemployed and number of vacancies 1991-1998, numbers and yearly change in %

	1991	1992	1993	1994	1995	1996	1997	1998
Unemployed, registered, total	420 213	576 893	626 141	488 197	423 773	478 770	523 509	465 202
yearly change %		37,3	8,5	-22,0	-13,2	13,0	9,3	-11,1
Vacancies, total	9 985	7 170	7 437	11 041	13 938	10 445	10 171	9 555
yearly change,%		-28,2	3,7	48,5	26,2	-25,1	-2,6	-6,1

Source: Monthly Bulletins, Ministry of Labour and Social Policy. Table A3.4 in Annex

Table A3.4 shows that the number of unskilled unemployed has been higher than the number of workers and specialists. The number of registered vacancies present limited job opportunities for all categories of unemployed. The U/V ratio - number of registered unemployed divided by number of vacancies - (Table 3.12) shows that the total U/V ratio has stabilised at around 40-50, and reveals a clear improvement since 1991 for unskilled labour. Nevertheless, the situation for unskilled labour is worse than for skilled workers and specialists.

Table 3.12: Unemployment-vacancy - U/V - ratio 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Total U/V* ratio	42	80	84	44	30	46	51	49
Workers	30	71	77	46	32	55	59	50
Specialists	34	43	38	22	14	22	39	21
Unskilled labour	263	146	161	63	44	60	53	70

Source: Monthly Bulletins, Ministry of Labour and Social Policy. Table A3.4 in Annex.
** Number of unemployed divided by the number of vacancies.*

Structural imbalances can be traced in further detail from data in table A 3.2 in the Annex. The table illustrates the structure of labour demand and supply for specialists by different profiles-professions. There is a registered deficit in the labour supply of specialists such as teachers and doctors on the labour market. The reason for this deficit is mainly the present low pay in these two professions, where salaries are below the average public salary for the country.

Regional imbalances

Labour demand from a regional point of view is concentrated in large cities like the capital Sofia and the region surrounding Sofia; Varna and Burgas - the Black Sea area in Eastern Bulgaria; and Plovdiv - Central Bulgaria (Annex, Table A 3.3). In these regions the level of unemployment is below the average for the country. Higher labour demand in these areas is an expression of the concentration of economic and social life, which raises the questions of regional economic policy and regional labour market policy as some of the top current issues of the transition period.

Given the role of educational level as an integral part of qualifications and the substantial structural imbalance between jobs available and the qualitative characteristics of the work force, it should be noted that in some cases an increase in the educational level is also important. Since the problems of education and vocational training will be discussed in detail in chapter 6, we would like here only to stress the importance of the links between the educational system, and the vocational education and training system in particular, and the structural imbalances that exist in Bulgaria.

3.7 Labour mobility

The Bulgarian labour force is not mobile and even high regional unemployment is not a factor in increasing labour mobility. Internal migration numbers about 160-200 thousand people per year and the flow is mostly from the towns to the villages. A reasonable explanation for the internal mobility of the population seems to be the ageing of the population and the ownership of property. The low mobility may be explained by the fact that almost all elderly people are owners of land or houses and appear not to sell their property. The undeveloped land market also contributes to this behaviour. In 1989-1996 more than half a million people emigrated. Several emigration outflows contributed to substantially decrease the available population, namely the emigration of Bulgarian Muslims to Turkey; the emigration of the well-qualified labour force after 1990 to the USA, Canada and Western Europe, as a reaction to the unemployment in the country; and the emigration of young people to study abroad.

Since 1989, emigration has totalled 650 000 people. The main outflow was in 1989, when 215 000 people left the country. In 1990, there were 85 000 emigrants; in 1991, 45 000; in 1992, 65 000; and in 1993, 54 000. Until 1993 about 60% of the emigrants went to Turkey. In 1994, emigration totalled 64 000 people; in 1995, 54 000; and in 1996, 66 000. About a fifth of the emigrant outflows after 1993 have gone to Germany. Most of the emigrants are people between 30 and 39 years old, and 63% have attained a secondary educational level (Naselenie, National Statistical Institute, 1997).

4. Labour Force Participation

4.1 *Demographic trends*

Demographic tendencies in recent years fit into the market equilibrium, in that stagnating demand has been accompanied by a fall in the labour supply. At the same time, however, for the medium and long term, the development of demographic data shows quite alarming tendencies: the ageing of the local population and reduction of the active population, the draining of young and highly qualified members of the labour force from the country, and a deterioration in the quality structure of the labour force.

Table 4.1: Total population 1989-1998. Population end of each year, thousands

[redacted]	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Male	4324	4270	4229	4169	4152	4129	4103	4076	4044	4014
Female	4443	4399	4366	4316	4308	4297	4281	4263	4238	4216
Total	8767	8669	8595	8485	8460	8427	8385	8340	8283	8230
Yearly change%	-	-1.2	-0.9	-1.3	-0.3	-0.4	-0.5	-0.6	-0.7	-0.7

Source: Statisticheski spravotchnik, 1994 -1997, National Statistical Institute.

According to the data, over the last nine years the population of Bulgaria has decreased significantly, by more than half a million people. The decrease is higher among the male population and lower for the female population.

Table 4.2: Population under, in and over working age 1985 –2000, thousands

Indicators	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000
Total population	8950	8669	8595	8484	8459	8427	8384	8340	8283	8230	8136
incl: ▪ under working age	2057	1967	1816	1741	1697	1650	1598	1551	1499	1451	1301
▪ in working age*	5034	4835	4780	4732	4738	4741	4745	4749	4749	4750	4474
▪ over working age	1881	2022	1998	2010	2024	2035	2041	2039	2034	2029	2361

*Source: Statisticheski spravochnik, NSI. Evaluations by the author. * 16-55 per women and 16-60 per men*

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The population structure points to decreasing tendencies in the population under and of working age, and increasing tendencies in the population over working age. The labour supply will continue to be predetermined by the existing negative demographic parameters of a reduction in the total population and the worsening structure: an increase in the relative share of the active population and decrease in the share of those under active age.

Table 4.3: Structure of the working age population 1990-2020 - projection

Years	up to 15 years old	15-65	over 65	total
1990	20.4	66.3	13.3	100.0
2000	15.4	67.9	16.7	100.0
2010	11.9	70.9	17.2	100.0
2020	11.5	68.8	19.7	100.0

Source: Projection of the Institute of Demography with the Bulgarian Academy of Sciences

According to some projections the structure of the working age population will continue to deteriorate as a result of a decreasing share of youths and an increasing share of people over 65 years old.

The total population by age groups and gender, and population by education and age groups, are presented in Tables A 4.0 and A 4.1 in the Annex. The population by education according to the last two census data reveals an increase in the educational level.

Table 4.4: Population over 7 years by educational level – % of total

[illegible]	Total	Higher	Secondary	Elementary	Primary	Lower
1985	100	6.2	30.2	32.2	20.8	10.6
1992*	100	7.9	37.0	30.4	15.8	6.8

*Source: Census Data, NSI, Book 1, 1993. * The latest population census in Bulgaria took place in 1992. This is the only source for this data.*

4.2 Labour force participation of the population

The ageing of the Bulgarian nation will certainly be reflected in future economic activity, but at present there are also several other contrary tendencies which influence labour force participation rates.

Table 4.5: Labour Force Participation Rates* - Total and by Gender

Period	Total	Male	Female
Sep'93	66.4	71.2	61.9
Oct'94	63.6	68.4	58.9
Oct'95	62.4	66.7	58.3
June'96	63.0	67.4	58.6
June'97	63.2	67.7	59.4
Nov'98	61.6	66.2	57.1

*Source: LFS for the respective periods. * Labour force /Working age population 15-64*

Table 4.5a: Labour Force Participation Rates* - Total and by Age Groups

Period	15-64	15-24	25-34	35-44	45-54	55-64
Sep'93	66.4	63.6	62.4	63.0	63.2	61.6
Oct'94	67.3	38.2	33.4	31.7	31.6	32.3
Oct'95	87.3	84.9	82.3	82.3	82.1	78.8
June'96	92.3	98.3	90.3	90.9	89.9	88.1
June'97	83.5	83.3	84.6	84.3	85.2	81.1
Nov'98	25.1	21.5	21.0	21.7	23.4	22.7

*Source: LFS for the respective periods. * Labour force / Working age population 15-64*

On the one hand, several factors encouraging economic activities should be mentioned:

- Paid work remains the main source of income for the working age population. The low level of wages encourages people to be economically active, in that they look for additional income from second job activities, and even from third jobs.
- Pensioners represent a considerable group in the local population and they continue to take an active part in labour activities after retirement. The low rate of pensions (the social pension is about 20 US$ and the maximum pension is under 50 US$) acts as an incentive in this respect. At the same time the pension age (55 for women and 60 for men) makes it possible to continue labour activity after reaching retirement age. Moreover, there are categories of labour where the pension age is lower than the figure stated above.
- Another factor contributing to an increase in economic activity that should be mentioned is the very active labour supply on the part of young people (university and high school students). Today, it is already an established practice for students to combine study and work, which was not

very popular in the past. The main reason for this change is the need for income, since scholarships have been reduced and restricted. The same holds true for scholarships at local high schools.

On the other hand, there are also a number of contrary factors leading to a decrease in the economic activity of the population. These include:

- Income from alternative sources (restored property, land, etc.).
- Withdrawal from the labour market due to decreasing confidence in the registration procedure at employment offices and a loss of faith in actually obtaining employment through these offices.
- Participation in the hidden economy and illegal activities.

As a result of the above factors, the labour force participation rates show a decrease of approximately 5 points for the period 1990-1998. This may be due to the diversion of labour into the hidden economy. The total labour force participation rate in Bulgaria, 63.2 in June 1997, has been lower than the EU average of 67.8.

4.3 Labour force participation by educational attainment

Labour force participation in the labour market from the point of view of educational attainment is determined by the educational structure of the population.

It should be emphasised that this type of analysis faces considerable constraints, deriving from the periodicity and monitoring range of the educational characteristics of the population. For example, data on the educational attainment of the population by age groups can be obtained from the census. However, the latest census in Bulgaria is from 1992, which means a rather imprecise assessment of the present state (Table A4.1).

For 1985-1992 the educational structure of the Bulgarian population changed in the following two directions:

- An increase in the share of the population with secondary and higher education;
- A decrease in the share of the population with elementary and primary education.

The same tendencies can be observed when studying the educational structure of the working age population.

*Table 4.6: Working age population by educational attainment in 1992- % of total population per educational level.**

Age group	Total	Higher	Semi-higher	Secondary vocational	Secondary general	Primary or lower
Sep'93	69.1	82.7	79.2	88.8	84.8	52.7
Oct'94	68.6	81.1	80.0	88.2	84.7	51.7
Oct'95	68.4	80.1	76.4	87.2	84.4	51.3
June'96	68.9	81.5	77.4	88.0	85.4	50.8
June'97	68.5	81.2	74.6	87.5	84.3	50.2
Nov'98	69.0	80.9	74.3	87.8	84.3	50.2

Female

Age group	Total	Higher	Semi-higher	Secondary vocational	Secondary general	Primary or lower
Sep'93	63.9	86.5	79.4	87.2	81.8	45.0
Oct'94	63.6	85.6	79.9	86.2	81.3	44.2
Oct'95	63.3	83.6	77.5	84.9	81.1	43.5
June'96	63.7	84.9	76.8	85.6	81.9	43.0
June'97	63.3	84.5	74.8	85.5	80.4	42.5
Nov'98	63.7	84.6	73.4	84.4	80.3	42.5

Male

Age group	Total	Higher	Semi-higher	Secondary vocational	Secondary general	Primary or lower
Sep'93	74.4	79.6	78.7	90.2	88.0	61.4
Oct'94	73.8	77.1	80.3	89.9	88.3	60.0
Oct'95	73.9	77.0	73.6	89.0	88.0	60.1
June'96	74.4	78.5	78.6	90.1	89.2	59.6
June'97	74.1	78.0	74.1	89.1	88.5	58.9
Nov'98	74.6	77.1	76.2	90.5	88.4	58.8

*Source: Census data, NSI, Book 1, 1993, p.56-64. * Rates have been calculated as the ratio between working age population and population of 15 and more years old total and per educational level*

Several specific features emerge from an analysis of the dynamics of the rates and a comparison of the rates by gender:

- The number of people with higher education remains high and almost unchanged.
- The working age population with primary and lower education has decreased.
- Women with primary and lower education have the lowest labour force participation rates and are more and more sensitive to labour market marginalisation and social exclusion.
- The activity rate of the working age population with secondary vocational education has been the highest both for women and for men.

The monitoring of changes in the educational rates of the active female population of working age indicates several relatively dynamic changes. These relate, first, to the increase in the rates of working women with higher and secondary specialised education; second, to the decrease in the rates of the active female population with secondary specialised education; and third, to the increase in the rate of the active female population with general secondary education. The rate of active women with primary and lower education has declined.

These changes are indicative of an actual process of searching for a solution to the crisis with regard to labour demand through investing in knowledge; expectations are oriented towards improving the position on the labour market in the future by means of better education.

4.4 *Regional and ethnic characteristics*

The regional features of labour supply can be traced in LFS data on employment and unemployment. In regional terms, the labour supply measured by the rates of labour force participation of the population is as follows:

Table 4.7: Labour force participation by regions – Labour force through population*

Regions	Sep'93	Oct'94	Oct'95	Nov'96	Nov'97	Nov'98
Total	55.4	57.6	51.5	51.8	56.7	50.4
Sofia	57.1	60.5	54.4	56.3	55.3	54.6
Bourgas	57.7	60.6	52.5	50.9	57.8	49.2
Varna	55.5	57.6	52.7	52.1	57.2	50.9
Lovech	54.4	54.9	50.0	50.6	57.6	48.9
Montana	50.8	53.6	45.8	47.0	55.2	45.6
Plovdiv	56.0	57.5	51.6	51.3	53.6	48.1
Russe	53.1	57.7	51.7	50.5	57.7	50.6
Sofia-area	53.8	56.8	51.9	51.3	58.6	52.9
Haskovo	57.8	57.7	51.1	53.4	56.3	50.7

Source: LFS for the respective years.
** Labour force FPR calculated as ratio between labour force and population of 15 years of age and over*

During the whole of the period studied, labour force participation has been lower than the average for the country in the regions of Montana (north-west Bulgaria), Lovech (north-central Bulgaria), Russe (north Bulgaria) and Plovdiv (south-central Bulgaria). Economic activity in the capital Sofia has been higher during the years of transition, a reasonable explanation being that many people from the country migrate to the capital because of the better employment opportunities.

Ethnic minorities

It has already been pointed out that there are no statistics on employment by ethnic characteristics. Only an indirect assessment is possible, based on the localities where the ethnic groups of the Romany population and the Bulgarian Muslims live. The employment level in areas where these ethnic groups are concentrated by residence indicates higher labour force participation.[7] But there are some specific features of the behaviour of these groups in terms of their activity in the labour market. For instance, Bulgarian Muslims do not register as unemployed, while the Romany working population is very active in registration and participation in the labour market. This is because social assistance entitlement requires unemployment registration.[8]

4.5 *Supply of hours*

The Labour Force Survey presents data on employment according to the usual weekly hours people work. Full-time employment according to the Labour Code comes to 8 hours per day. The working week comprises 5 days.

Table 4.8: People employed by usual weekly hours (40 hours per week) - % of total employment

Usual weekly hours of work	June 94	June 95	Oct 95	March 96	Nov 96	June 97	Nov 97	June 98	Nov 98
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1-9	0.1	-	0.1	-	-	-	0.1	-	-
10-19	0.5	0.4	0.3	0.3	0.3	0.1	0.2	0.2	0.3
20-29	2.4	1.6	1.5	1.4	1.3	0.9	1.0	0.9	1.2
30-39	5.6	5.7	4.7	5.3	4.8	4.5	4.1	3.6	3.6
40-49	82.2	78.5	82.6	82.5	82.5	86.2	87.2	86.9	86.3
50-59	3.3	5.4	3.8	3.5	3.8	2.8	2.2	2.9	2.1
60and	2.5	4.6	2.6	2.6	2.7	2.1	1.2	1.6	1.3
Unknown	3.3	6.7	4.2	4.3	4.7	3.4	4.1	3.9	5.1

Source: LFS, National Statistical Institute

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[7] According to census data from 1992 the labour force participation rate of Bulgarian Muslims is 49.2% and is higher than the average labour force participation rate - 46.4%.

[8] For example, there is a concentration of Romany population in Stolipinovo municipality, Plovdiv region, and the level of unemployment in this municipality is twice as high as the average for the region

The data illustrates that employment by the full-time working week prevails.

The second most common status is employment exceeding full-time standards. Studying and comparing weekly working hours in the state and the private sector, we find that in the private sector there are certain tendencies to greater flexibility in working hours, and the share of people employed for longer hours (than the standard full-time working week) is greater.

Multiple jobs

Employment including second or further jobs is a phenomenon that is becoming more and more widespread in the country. The main incentive for taking up a second or even third job is the low income of people employed in the state sector, above all in the service sector. Many people who work on a free lance basis also keep themselves occupied with second jobs. The most typical case is a combination of a job in the state sector and another business activity in the private sector. Another practice is to combine a job in the state sector and the provision of services through civil contracts - i.e., a certain assignment is performed for a given period of time. Problems here arise in relation to payments of contributions for income received for the second job.

5. Unemployment

5.1 Unemployment data

In analysing the situation and tendencies in unemployment in Bulgaria, two main sources of information have been used - the monthly registration of the unemployed performed since mid-1990 at the labour offices of the Ministry of Labour and Social Policy, and the periodic surveys on employment and unemployment (LFS) carried out by the National Statistical Institute since September 1993. Due to differences in the methodology of the surveys, the information from the two sources does not coincide. The scope of indicators studied is different too, which is a good reason for utilising both sources when analysing this event; Annex 5 provides the details of these two surveys. For the purpose of this study, however, we use LFS in the first instance, and use monthly registration data only where there is no other source of information, e.g. for data on vacancies.

5.2 General trends in total unemployment

Unemployment is one of the fundamental problems in the period of transition. The beginning of economic reforms brought about a quick transformation of hidden over-employment into open unemployment. The highest level of unemployment was recorded in 1993 when state enterprises started to dismiss labour extensively as a result of the radical liberalisation of prices carried out, the dropping of state subsidies for enterprises, and the introduction of tough budget restrictions. At the end of 1993, unemployment numbered more than six hundred thousand, one fifth of the level of employment at the beginning of the period of transition. A temporary stabilisation of unemployment occurred (1995-1996), but that stabilisation was not due to an increase in labour demand as a result of economic growth, it reflects rather the sluggish process of restructuring in the local economy. Expectations of restructuring at major state enterprises with a large number of employees raises prospects of a higher level of unemployment.

Table 5.1: Unemployment rates (ILO) 1993-1998. Total and by gender

Period	Total	Male	Female
Sep'93	21.4	20.9	20.4
Oct'94	20.5	20.4	20.6
Oct'95	14.7	14.4	15.0
June'96	13.7	13.6	13.8
June'97	15.0	14.7	15.3
Nov'98	15.9	16.0	15.8

Source: LFS for the respective years. Unemployed/Labour force (15-64)

Unemployment rates show a tendency to decrease. Nevertheless, they remain high for the whole period of transition compared with the unemployment rates of the EU. A comparison of unemployment rates according to the data given by the two sources of information mentioned above shows higher rates of unemployment according to the employment and unemployment survey, though in the last year there is a tendency towards equalisation of data.

The data in Annex A5.1 shows the registered unemployment figures and the differences between the two sources of information. We comment on these differences since they are important for understanding the effects both of the more consistent policy that has been introduced to specify the unemployment criteria that give entitlement to the unemployment allowance system, and of the decrease in the level of benefits relative to the average monthly salary. In the first years of transition the criteria for unemployment allowed broad access to registration as unemployed and the level of unemployment benefits paid was about 70% of the average wage for the country in 1991. At present the level of social benefits amounts to about 30% of the average monthly wage. The gradual decreasing of unemployment benefits paid is meant to stimulate unemployed people to look more actively for a job.

A characteristic feature of unemployment in Bulgaria is the high level of long-term unemployment and its stagnated character.

Table 5.2: ***Unemployment by duration, gender, major age groups - shares in total unemployment***

Period	Share of unemployed under 6 months in total unemployment	Share of unemployed women under 6 months in total unemployment	Share of unemployed for 1-12 months in total unemployment	Share of unemployed women for 1-12 months in total unemployment	Share of unemployed 12+ months in total unemployment	Share of unemployed women 12+ months in total unemployment
Sep'93	30.0	31.5	44.4	44.8	53.8	53.4
Oct'94	25.7	24.2	38.8	37.2	60.1	61.6
Oct'95	20.8	22.2	31.8	31.5	65.6	68.0
Nov'96	27.4	27.9	39.3	39.5	59.9	59.7
Oct'97	28.2	28.3	41.3	41.2	57.7	57.6
Nov'98	32.0	32.4	44.7	45.4	54.3	53.6

Source: LFS for the respective periods, National Statistical Institute

The data show that for the whole period of transition more than half of the stock of unemployed are unemployed long-term, i.e. for more than one year. Women have the predominant share in total long-term unemployment. Recent studies show that the longer women stay in the unemployment register, the less their chances of employment become (Women in Poverty, ILO, UNDP, 1998). A number of sociological surveys have highlighted this fact as the reason for the growing disqualification, loss of social and economic motivation, and isolation of women.

Table 5.3: Unemployment structure by duration and age groups - November 1998

Unemployment duration	age group 15-24	age group 25-34	age group 35-44	age group 45-54	age group 55-64	age group 65 and
Total	100.0	100.0	100.0	100.0	100.0	100.0
Less than a month	3.2	4.9	2.8	1.8	3.5	1.5
1-5 months	28.8	34.1	29.3	28.0	23.6	23.1
6-11 months	12.7	15.6	11.1	12.6	14.4	11.8
12-17 months	12.7	17.1	10.4	11.5	11.4	13.5
18-23 months	3.2	2.0	3.1	4.1	3.6	5.1
2 years	11.4	12.2	11.8	10.3	10.9	13.2
3 and more years	27.1	12.8	30.3	31.0	14.9	31.2

Source: LFS for the respective periods, National Statistical Institute

5.3 *Unemployment by age group and gender*

Male and female unemployment rates have been quite similar during the transition, but recently male unemployment has been slightly higher than the average for the country (Table 5.1). Several factors have contributed to female unemployment:

Table 5.4: Unemployment rates (ILO) by age groups and gender

Period	Unemployment - total			age 15-24			age 25-54			age 55-64		
	T	W	M	T	W	M	T	W	M	T	W	M
Sep.93	21.4	20.4	20.9	47.0	46.0	48.1	18.2	17.9	16.7	17.6	20.8	16.6
Oct'94	20.5	20.6	20.4	44.8	42.6	46.9	16.8	17.3	16.4	17.3	22.1	16.0
Oct'95	14.7	15.0	14.4	37.6	38.4	37.0	11.8	12.3	11.7	8.6	8.2	8.7
Nov'96	13.7	13.8	13.6	33.4	33.0	33.9	11.6	11.8	11.8	7.5	10.3	6.7
Nov'97	15.0	15.3	14.7	35.9	35.8	36.1	12.7	13.3	12.6	8.7	8.4	8.9
Nov'98	16.0	15.8	16.1	35.9	35.0	36.8	13.6	13.8	13.9	10.8	11.7	10.6

Source: LSF for the respective periods. Calculated by the author on the basis of the reported age groups as follows: 15-24;25-34;35-44; 45-55;55-64;65 and; T- total unemployment; W - female unemployment; M - male unemployment

First, from the point of view of labour demand, the initial crises in production related to the loss of external markets had a greater effect on local branches mainly occupied by women - the food and textiles industries, education, and health care.

Secondly, the significant impoverishment of households during the transition continues to be the reason for the high economic activity of women and their registering as unemployed job seekers.

From the point of view of age groups, unemployment rates in the 15-24 age group have been almost twice as high as unemployment rates for the whole country. This fact points to youth unemployment as a key unemployment issue and underlines the lack of links between the educational system and employment. The youth unemployment rates in Bulgaria are also relatively high compared with the EU unemployment rate for the same age group.

Youth unemployment

From the point of view of the age structure of unemployment, the level of unemployment among young people is more than twice as high as the average level of unemployment in the country. More than half of unemployed young people are long-term unemployed (50.2% in June 1998). The problem of unemployment among young people in the country should be stressed as an important issue of the transition period that has brought many negative consequences for the local economy. For example, a considerable proportion of young people do not have the opportunity to enter jobs initially, since immediately after completing their secondary or higher education they are listed in the unemployment registers at the labour offices.

In spite of their good qualitative characteristics as far as education is concerned, the lack of professional experience has a decisive value for employers' preferences. Consequently, unemployed young people have fallen into a rather unfavourable situation on the labour market from the point of view of labour demand. The obstructed access to employment makes young people decide in favour of emigrating abroad or continuing their training in an attempt to preserve their expectations of a more favourable labour market in terms of labour demand.

Consequently, the unfavourable position of young people on the labour market exerts pressure on them to enter the shadow economy. And when the informal economy is the only alternative activity for young people, they tend to accept worse working terms with regard to working hours, payment, social benefits and working conditions.

5.4 Unemployment by educational attainment

The educational structure of unemployment in Bulgaria shows that no substantial changes have occurred in this structure since the beginning of the period of transition. The high share of the unemployed with primary and lower education stays the same; unemployment among people with secondary education remains high, with a tendency towards an increase at the beginning of the transitional period; the share of the unemployed with secondary specialised education has increased, too, compared with the beginning of the transition.

*Table 5.5: Unemployment rates by education - total**

Period	Total	Higher	Semi-higher	Secondary vocational	Secondary general	Primary or lower
Sep'93	21.3	9.6	8.6	16.5	22.1	30.1
Oct'94	20.5	8.0	8.8	15.8	20.6	30.9
Oct'95	14.6	5.2	5.0	11.2	14.2	23.8
June'96	13.4	4.5	5.6	10.7	13.1	21.5
June'98	14.9	6.0	7.2	12.5	15.3	22.7
Nov'98	15.9	6.6	7.0	13.3	15.6	26.4

Source: LFS for the respective years.
** Unemployment by education and gender can not be presented since no data exists.*

Unemployment rates by education reveal the highest rate among people with primary and lower education, followed by people with secondary general education. It is very likely that one of the reasons for unemployment is the type of education. From this point of view, the reintegration in employment of these two groups of unemployed should be easy if they take retraining programmes.

The main problems of unemployment in relation to the educational structure have fed both on factors external to the labour system and problems internal to it. For example, on the one hand, the lack of a clear structural policy and medium and long-term trends in labour demand do not allow the educational system to be restructured in accordance with the expected labour demand by educational attainment. On the other hand, people, mostly young people, invest in education expecting future returns. This results in a relative over-saturation of the labour supply with a well educated workforce. Another problem is the case of professions with high labour demand in which there is a steady interest. Generally, in the present situation there is a lack of co-ordination between labour demand and the educational system, and insufficient information to the workforce on current tendencies in labour demand. (Table A5 - Annex)

In connection with this educational discrepancy comes the question of structural unemployment.

Table 5.6: Labour Flows (numbers) and inflow/outflow ratio 1992-1998

Indicators	1992	1993	1994	1995	1996	1997	1998
Inflows-numbers	53 279	44 932	41 410	45 224	51 975	60 907	35 695
Outflows-numbers	28 990	35 568	51 028	50 612	47 392	48 099	50 545
Ratio inflows/outflows	1.83	1.26	0.81	0.89	1.09	1.26	0.70

Source: Calculated by the author on the basis of the data from the monthly registration, Monthly Bulletin, Ministry of Labour and Social Policy.

The tendency is for the ratio between inflows and outflows to decrease, which indicates that there is a positive tendency of growth in the number of outflows. The question here is to what extent the growing number of outflows is due to these people becoming employed again, and to what extent they are leaving the labour force after becoming discouraged from continuing to register, or losing their motivation to take part in the registration system and return to employment, or are entering the shadow economy. Available information is at a loss to answer this question, but our expert assessment is that the increase of outflows is due mainly to negative factors such as loss of motivation and outflow to the shadow economy.

At the same time, the structural discrepancies mentioned above are very clearly manifested in the analysis of job changes.

Table 5.7: Work place turnover 1993-1998 - numbers

Indicators	1993	1994	1995	1996	1997	1998
Available vacancies from the previous period	6 976	10 697	15 283	16 666	12 073	12 217
Registered vacancies	6 059	10 766	13 856	14 764	13 732	14 255
Occupied vacancies	3 928	7 353	11 393	11 823	12 230	11 679
Closed working places	1 670	1 832	2 154	3 283	2 454	2 625
Available vacancies	7 437	10 996	15 693	16 374	11 694	12 168

Source: Monthly Bulletin, Ministry of Labour and Social Policy

5.5 Unemployment by region and ethnic groups

Regional differences in the extent of unemployment highlight the regions where unemployment is a substantial economic and social problem. Unemployment rates by regions show that in comparison with the average rates of unemployment in the country, the regions in northern Bulgaria show higher rates: Montana (south-west), Russe (north-east); Plovdiv (central Bulgaria).

These are regions where no alternatives for preserving or increasing labour demand have been present. The upcoming privatisation of huge state enterprises makes these areas especially crucial because further unemployment is envisaged. The elaboration of specific programmes oriented towards the stabilisation of the regional economy, and the identification of alternatives that can increase labour demand, are strongly recommended.

Table 5.8: Unemployment by regions 1993-1998

Regions	1993	1994	1995	1996	1997	1998
Unemployment – total	21.4	20.4	14.7	13.7	15.0	16.0
Sofia	15.0	13.4	6.6	8.1	8.4	9.3
Bourgas	22.9	10.2	15.1	17.2	18.1	19.3
Varna	19.6	19.7	14.6	14.5	16.9	17.5
Lovech	20.4	19.2	15.4	15.0	17.6	18.7
Montana	27.3	30.7	22.7	21..2	24.1	23.6
Plovdiv	23.5	21.7	14.6	11.6	14.7	13.6
Russe	25.8	22.6	17.3	17.6	17.9	19.8
Sofia-area	24.1	21.8	17.1	12.1	14.0	15.6
Haskovo	18.5	20.3	15.2	13.3	10.6	14.3

Source: LFS for the respective period

As far as ethnic aspects of unemployment are concerned, it should be observed that unemployment among some groups is higher than among others, being widespread among the Romany population, as well as among Bulgarian Muslims. Most of the unemployed in these two ethnic groups are long-term unemployed. This workforce is characterised by specific features in terms of education, qualifications, work mentality, lifestyle, etc., and has fallen into a very adverse situation mostly because of the low labour demand in the regions where it is concentrated. Specific data cannot be cited since the registration of the unemployed, as well as employment and unemployment monitoring, do not differentiate by ethnic group. At the same time, the cohesive way of living of these groups allows some conclusions on the size of unemployment to be drawn by studying the regional differences in the levels of unemployment.

6. Vocational education and training system

6.1 *General status of the education and training system*

Organisational structure

The social and economic reforms that took place in the 1990s strongly influenced the development of the educational and training system in Bulgaria. The reforms that were undertaken destroyed the mechanisms that previously linked the educational and training system with the centrally planned labour market. The changes have initiated a process developing new links between the two systems. The ongoing changes in the educational and training system include the establishment of private educational institutions, the decentralisation of government and a limited role for the state. All these changes are based on new laws: the National Education Act (adopted in 1991), the Higher Education Act (1995), and the Unemployment Protection and Employment Promotion Act (1997). A Vocational Education and Training Act is expected.

The Ministry of Education and Science and the Ministry of Labour and Social Policy are responsible for the development and implementation of the state policy on education and training. The implementation of these policies occurs through their regional and local structures. Co-operation between the two ministries needs to be further improved.

The main source of funds for education is the state budget; the share of expenditure allocated from this constantly decreases. Public spending on education as a percentage of GDP is very low (2.8%, which is significantly lower than the EU average). The training of the unemployed is financed through the Vocational Qualification and Unemployment Fund. The share of funds for training activities from the expenditure on active measures is declining. In practice, the upgrading of the employed is the responsibility of employers and individuals themselves.

The present structure of the education system in Bulgaria is shown in Chart 1.

The established model of the educational structure brings the correspondence between the grades of qualification and the levels of education into harmony with the ISCO-1988 (ILO, 1990) and the ISCED, UNESCO, 1976. Since 1994 a new list of professions for which skills are acquired through school and out-of-school training has been composed. This list is connected with the National Classification of Professions, adjusted to the EC standards. However, there is no overall framework for vocational qualifications and their relationship with academic qualifications.

A large part of the working age population has middle-level qualifications (ISCED level 3; lower than the EU average), and this share is growing at the expense of the low qualified (higher than the EU average). The increase in the share of the population with general secondary education is larger than that of people with secondary vocational education. The percentage of the population with a higher education degree is rising. Higher education in Bulgaria is registering substantial quantitative growth (Table A 6.1).

The participation rate in education and training of the 6-15 age group has not changed significantly. The rate of the 16-19 age group is low relative to the EU average, but in vocational education it is higher. The increase in the education participation rate of the 20-24 age group is due to the growing number of students in higher educational institutions (Table A 6.2 and Table A 6.7).

6.2 *Initial vocational education*

Under the Law on School Education of 1991 and its amendments from 1998, formal vocational education and training is managed centrally and organised in independent vocational schools and - by way of exception - in vocational classes in general education secondary schools and some special schools. Vocational education and training is classified in the following way:

- Vocational schools *combined with primary education* for vocational qualification including non-complex activities. The period of training depends on the complexity of the profession and the age of the pupils. Enrolment starts after the VI or VII grade and the training continues for 3 years. Graduates have the right to exercise the acquired profession or to continue their education at a higher educational level.
- Vocational schools *after completion of primary education* for *vocational training combined with secondary education,* which includes complex vocational activities together with the acquisition of secondary education. Graduates receive the right to exercise the acquired professions, to achieve new professional qualifications at vocational schools after secondary education, or to continue their education in the system of higher education.
- Vocational schools *for vocational training only* after completion of primary education. Graduates can go onto the labour market but not to a higher educational level.

Professional Grammar Schools (Secondary Vocational Schools) and Technical Schools also provide vocational qualifications, which include complex executive and management activities in combination with or after the completion of secondary education. Graduates have the right to exercise the acquired new vocational qualification or to continue their training in the system of higher education.

Vocational education and training occupies a leading place in secondary education - over the past 5 years it has involved 57-58% of all students in secondary schools. All persons who have completed secondary vocational education are entitled to continue their education at higher schools (college, specialised institute or university).

There is no developed system of apprenticeship within the framework of vocational education, as organised in the different types of vocational schools. Apprenticeship, insofar as it exists, is accomplished during the practical training of students at specific enterprises, but only if there is a signed contract between the school and the enterprise (company). Because of the processes of restructuring and privatisation which are currently under way, companies do not offer sufficient opportunities for students' practical training.

There is no significant difference between the shares of drop-outs (who have left school for various reasons) from the secondary general and the secondary vocational school - 2.7% and 4.0% respectively for the 1997/98 school year (Annex 6.10).

Unemployment and educational attainment

The data on the structure of the unemployed in terms of their completed education shows that the share of people with basic and lower education is the greatest (about 40%), as these are people without or with low vocational training. On the other hand, the share of unemployed people who have secondary general education (32% of the total number of unemployed) is significantly greater than the share of unemployed people who have secondary vocational education (18%). Unemployment is significantly influenced by the educational level of the population. The lower the degree of completed education, the higher the unemployment rate - from 6.1% among people of higher education, through 12.6% among people of secondary vocational education, to 22.7% among people of basic and lower education (according to data for 1997). At the same time the share of vacancies for specialists exceeds the share of unemployed specialists, despite the structural changes of the economy (see Table 3.6).

Although the vocational education and training system operates reasonably well, the labour market imbalances discussed indicate deficiencies in the links between vocational education and training and the labour market.

The system of vocational education planning that exists at present is not sufficiently effective, as it is not based on research into the needs of each region. Also, it is influenced by the established profiles of the existing vocational schools. For example, it is difficult for a vocational school of machine-building and mechanics to turn into a vocational school of commerce or tourism and services. In addition, because of the process of privatisation and restructuring of the economy, most employers are not in a position to define their future needs for staff and specific skills. The Ministry of Education is working hard on improving planning and is participating in a project under the Phare Programme. This is also true of the Bulgarian Observatory on vocational education and training, which contributed to the carried out in 1998. These pilot research studies included a number of institutions which are directly involved in the planning of needs for vocational education and training, including the social partners. (See Annex 6.1 for Phare Programmes-Education.)

At present vocational education is financed centrally by the respective branch ministry to which the vocational school is subordinate. The greatest share of schools is financed by the Ministry of Education and Science. The remaining schools are financed through the budgets of the ministries (the Ministry of Culture, the Ministry of Industry, the Ministry of Agriculture, etc.). A small number of vocational schools is financed out of the budgets of municipalities. Within 1-2 years the greater part of vocational schools are expected to come under the control of the municipalities and to be financed by them. In this way better conditions may be created for more adequate planning of vocational education for the needs of the local labour markets.

6.3 Continuing vocational training and adult education

The transition to a market economy in the country occurred in a situation where a comparatively highly qualified workforce was available; in some sectors and activities, for example electronics, the workforce was very highly qualified. The reason was that education was provided massively and on a large scale (because certain degrees of education were mandatory and education was free at all levels). Also a national (state) system for improving the training of adults functioned till the beginning of the transition. The collapse of this system and the acute drop in the ability of the state and of companies to finance education sharply reduced the opportunities for training the workforce to meet the new economic and industrial demands that were emerging. At the same time, the restructuring of the industrial sector, the radical changes in the ownership and organisation of agricultural production, and the almost entire stagnation of the economy, as well as other factors, led to changes in the demand for different types of labour. The demand grew in the areas of trade, banking, tourism, and all kinds of services. At the same time the labour market became extremely unbalanced with a surplus of a highly qualified workforce and a lack of suitable jobs. This is particularly significant for labour specialising in chemistry, electronics, some lines of construction, agriculture, machine-building, and mining.

Continuing vocational training

The economic crisis has drastically restricted training possibilities in state-owned enterprises, as well as in mixed and private enterprises. The readiness and ability of companies to organise company training for their workers have also dropped rapidly. Notwithstanding the lack of regular statistical information on continuing vocational training at the enterprise (company, organisation) level, certain fractional observations and surveys, as well as expert evaluations and indirect indicators, have shown a low degree of participation by the work force in continuing vocational training. (Report on continuing vocational training, Bulgarian National Observatory, 1998.) Participation in continuing vocational training is regulated by the Constitution of the Republic of Bulgaria, the Labour Code, the Unemployment Protection and Promotion of Employment Act, and various other regulations. In reality, however, the process of continuing vocational training has been reduced in the enterprises to urgent training in connection with the introduction of new technologies and changes in the organisation of production, and training in occupational safety or in the legislative regulation. Regular company training for improving the employees' qualifications is practically non-existent.

Training infrastructure

At the same time, we can hardly say that there is no appropriate training infrastructure. The collapse of the state system for vocational education and training in 1992 and the random process by which private and other educational organisations have been set up - independently or within the structure of companies and organisations - has created a significant market for education and qualification services, including training centres, schools, agencies, and societies. The schools in the general education system (and more specifically those offering vocational education) have organised activities in vocational training intended broadly for adults (both initial training and additional training) through special adult vocational training units set up within their structures.

The three types of instruction units for continuing vocational training cover the vocational training needs both of people seeking training on their own initiative and of companies or organisations organising and paying for training. The quality of training provided in the training units is regulated on the basis of the requirements of the Education Act and the Unemployment Protection and Promotion of Employment Act. The risk of abuse on the part of training organisations is reduced by the supervision of school inspectorates, the National Employment Service and the companies and organisations themselves that order and pay for training. The availability of a multitude of training units increases the competition between them in providing training and stimulates them to make efforts to achieve better quality.

Because of the general poor economic state of the companies and their caution in spending the limited funds they have available for training, the degree of applicability of the training ordered and provided is high. As already pointed out, the training that prevails is training that is indispensable.

Few companies finance training to provide workers with initial qualifications, in the sense of the requirements of the Education Act. The little vocational training for initial qualification that is provided leads to no educational diploma. The training companies offer vocational training courses that differ both in terms of their specific occupational content and in terms of duration, the degree of qualification provided, training methods, and certification. Training is most often offered in the fields of management, banking, trade, accounting, computer technology, the food industry, tourism, construction and languages.

Evening and extramural training (leading to educational diplomas) has been sharply reduced in the past few years. A great number of companies prefer not to promote this kind of training since the current legislation obliges the employer to ensure paid leaves for attending classes, preparing for examinations, etc. The legislation has significantly expanded the opportunities for extramural and evening training by removing the restrictions which existed until recently, but the problem of payment for the training makes many candidates refrain from continuing their training to higher educational qualifications.

Funding

The transition period has been characterised by low investment in the vocational education and training system. In principle the state has an active role in continuing vocational training, mainly in improving the laws and regulations. In practice the state focuses its attention on the continuing vocational training of the unemployed, and since the beginning of the transition an effective system has been organised for the vocational training of unemployed persons who need such training. Its effect, however, is reduced significantly by the fact that only unemployed persons for whom jobs have been secured (guaranteed by an employer) are financed by the National Employment Service. The state finances only legislatively directed training leading to specific educational qualifications. Training for vocational qualification and requalification within companies (organisations, activities, regions) is financed by the state through specialised programmes, but only in exceptional cases (company closure, restructuring, etc.). Regional measures are also provided, often with the financial support of international organisations and funds.

6.4 Training of the unemployed

The social conditions for the vocational training of the work force - employed and unemployed persons - are regulated by the Unemployment Protection and Promotion of Employment Act (UPPEA), which has been in effect since 1st January 1998.[9]

Because of restrictions resulting from the functioning of the economy under currency board conditions, a prerequisite for granting an unemployed person a place in training is the existence of:

- a written application by an employer, expressing his/her readiness to grant a labour contract employing trainees who have successfully completed their training, for a period no shorter than 9 months, i.e., guaranteed jobs for the trainees, or
- a list of occupations in demand on the regional labour markets, endorsed by the Managing Council of the NES.

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[9] Under Art. 5 of this Act, the Ministry of Labour and Social Policy (MLSP) "shall develop, co-ordinate and implement the state policy on vocational training and retraining of the employed and unemployed", while the National Employment Service (NES) shall execute this policy (Art. 11 of the UPPEA) through its regional and local structures - the regional employment services (RES) and labour offices (LO).

The training is to be carried out by employers themselves; by a training organisation specified by the employer and registered with the National Employment Service in accordance with regulations; or by a training organisation selected by the labour office, which must be among those registered with the National Employment Service. The selection of a training organisation for each specific course is made by means of an anonymous competition organised by the labour offices. The relations between the labour offices, training organisations, trainees and employers are regulated by contracts.

Special attention is paid to special groups on the labour market - youths, the long-term unemployed, the disabled, persons from ethnic groups, etc. (see Annex 6.2). To facilitate the job placement of young people, legislation envisages the implementation of a Programme for the Vocational Training, Vocational Guidance and Job Placement of Unemployed Youth.

Information from the National Employment Service administrative statistics shows a trend for the share of young trainees aged below 24 to increase relative to the total number of unemployed persons in training - from 12.2% in 1994 to 34.1% in 1997. On the one hand, this indicates an enhancement of young people's activity level and their desire to participate in different types of training aimed at helping in their job placement. On the other hand it shows that the training in the education system, and the knowledge and skills acquired as a result of it, are not up to the needs of the labour market and the requirements of employers. Additional training is necessary to overcome this discrepancy.

The data from the NES administrative statistics show conflicting tendencies in the development of vocational training activities: growth from 16 805 persons in 1992 to 21 198 in 1996, followed by a decrease to 6 409 persons in 1998, as a result of the restrictions already mentioned. The data also show a tendency of a decreasing relative share of trainees in the total number of the registered unemployed: 5.02% in 1996 and 1.3% in 1998. We may also note the growth of the share of those placed in work after completing their training - from 35.5% in 1996 to 81.7% in 1998 (Table A 6.10).

Table 6.2: Training and re-training of unemployed, number of persons and %.

Indicators	1992	1993	1994	1995	1996	1997	1998
Unemployed completed vocational training courses	16 805	19 779	20 235	20 340	21 198	17 557	6 409
Percentage of unemployed completed training courses to the total number of registered unemployed	2.97	3.29	3.77	4.20	5.02	3.27	1.31
Hired unemployed completed training courses	4 364	5 785	5 414	6 975	7 525	8 424	5 236
Percentage of hired unemployed to all unemployed who have completed training courses	25.97	29.25	26.76	34.29	35.50	47.96	81.70
Expenditure for vocational training of unemployed, paid by the special fund Vocational Training of Unemployed -thousand BGL	19 532	40 000	49 000	77 446	117 365	575 665	289 878
Training costs per unemployed person - BGL	1 162	1 718	2 366	3 808	5 550	32 788	45 230

Source: National Employment Service, Administrative Statistics

There are some substantive differences in the rate of participation in training of unemployed persons with different educational levels. In 1997, unemployed persons with general and secondary vocational education had the highest rate of participation in training (68.1%). The poorest and most unsatisfactory participation rate in vocational training courses is found among unemployed persons with primary and lower education. Only 0.8% of the registered unemployed with such education have undergone vocational qualification training in the last year. This creates problems on the labour market, where the employment rate for people with primary and lower education is low and the unemployment rate is high.

The training mainly follows centrally developed curricula. Training for additional qualifications is carried out under programmes developed by the training units or the employers. Different forms of organisation of training are used: half day, part time, full time, in-house, etc. Short-term forms prevail, and the main occupations are in the area of services and light industry.

The training is carried out by training organisations which differ in terms of their form of ownership and are registered under Bulgarian legislation - private, state, municipal, and mixed - as well as by schools in the education system. The training of the unemployed is financed through the Vocational Training and Unemployment Fund, which is made up of contributions by employers amounting to a percentage of the actual calculated salaries for their staff. In 1997, 723 million levs (about 500 000 US$) were used for vocational training organised by the National Employment System and its structures, which is only 0.8% of all expenses throughout the year for passive and active policies on the labour market.

7. Labour Market Institutions

7.1 *Government bodies*

Since 1990, the governmental labour administration has been changed several times (in 1991, 1993, 1995, and finally at the end of 1997, when the Unemployment Protection and Employment Promotion Act was passed by Parliament). The philosophy behind the changes follows the development of the labour market and the new directions arising from everyday practice. The experience of economies with developed labour markets has also been taken into account.

The recent organisation of the Central Government Bodies of the Ministry of Labour and Social Policy (MLSP) is presented in Chart 2. The administration includes the Minister and his administration, three deputy ministers - one in charge of the labour market, the second in charge of industrial relations and social insurance, and the third in charge of social assistance and social services. The Principal Secretary has responsibility for the administration of the MLSP and the information services. The next level includes the National Labour Office, the General Labour Inspectors and the National Social Care Center. Each of them has its regional and local structure.

The recent structure also includes the National Social Security Institute (NSSI) with its regional, local and subsidiary offices.

Local administration is represented by the nine regional labour offices, 122 local labour placement offices, with their subsidiaries, and one mobile office. The Social Insurance Institute has an lamost equal number of regional, local and subsidiary offices. There are nine regional labour inspectorates, 28 district labour inspectors and nine regional laboratories. The territorial structure of the National Social Care Center includes social care centers in all nine regions and one in each municipality (nine in Sofia and 28 in the country). About 7 700 people are employed in the system.

The *National Employment Agency* is answerable to the Ministry. It is authorised to act to implement the government's employment policy and to overcome the unfavourable consequences of unemployment. The agency was established in 1991, parallel with the process of structural reform beginning at that time. This process has required the agency to improve and enrich its activities in response to the reforms. This has largely been done with the help of international technical assistance. The National Employment Agency lacks experience and is supposed to serve half a million unemployed persons. The National Employment Agency makes projections of the development of the labour force and proposes steps for regulating employment. It co-ordinates the implementation of measures for the development of the labour market and facilitates the performance of the various governmental institutions at the national, regional and local level. The National Employment Agency determines standards for qualifications, and proposes and implements measures for the regulation of migration processes, as well as labour market protection initiatives. The National Employment Agency manages the Professional Qualification and Unemployment Fund jointly with the social partners.

The *National Social Care Center* provides traditional and new forms of services to socially vulnerable social strata in the transition period. The rapid economic decline in recent years has resulted in serious changes in the traditional approaches towards socially vulnerable groups, which have necessitated the creation of new structures, at both national and local levels. The major objective of the Center is to determine and monitor the real need for social policy meausures, and to propose improvements in the legal framework and scope of social assistance.

The *Central Labour Inspectorate* was established to exercise overall control over the enforcement of labour legislation in Bulgaria. In pursuance of this role, the Inspectorate oversees the strict observation of this legislation in the signing of contracts and labour agreements, as well as in the implementation of international labour standards. It has also been assigned responsibility for the development of standards and healthy norms for labour conditions. The labour inspectors are entitled to visit ministries, companies and other organisations where people work, and to require explanations and documentation from employers. They may also take samples, make tests, etc. obtain information directly from workers and managers, and investigate the causes of emergencies and accidents, as well as enforce administrative measures to compel compliance, including the suspending of production, operations and jobs until the hazard is eliminated. The Central Labour Inspectorate and its bodies operate independently or in co-operation and conjunction with other state supervisory authorities, as well as with the representatives of the trade unions.

The *National Social Security Institute (NSSI)* was established at the end of 1995 to govern the Social Insurance Fund. The Institute reports on its activities to the National Assembly. The Institute is managed by a Supervisory Body (SB), a Managing Body, a Director (appointed routinely by the SB) and a Deputy Director. The Supervisory Body approves the general directions of NSSI activities, the annual budget and themanagement of the institute. The Supervisory Body is responsible for overall control of the institute's activities and the activities of its director and deputy director. The Managing Body is in charge of managing the institute.

The territorial administration includes the local structures of the National Labour Services, the National Social Care Center and the Central Labour Inspectorate. The local structures of the National Social Security Institute are included also.

The existing labour administration structure in Bulgaria reflects the progress of reforms in the direction of a market economy and the problems faced by the country during the radical economic and social reforms. The labour administration has been built up over the last eight years. Many of the problems it faces are quite new for the country. Thus lack of experience is one of the main problems which the people involved in the system have to overcome. Another problem is that the system is still very centralised and thus is not very flexible.

7.2 Labour market regulations

The changes in the emphasis of labour market policy reflect the building of the new legal and institutional framework for the labour market. At the beginning of the transition, the development of labour market policy was legally regulated by the Constitution and the Labour Code. A number of legal documents, such as regulations of the Council of Ministers, ordinances, decisions, etc., modified the legal environment in accordance with the ongoing processes.[10]

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[10] There should be mentioned Regulation 57 of the Council of Ministers from 1989 for the direction and efficient use of the laid-off labour force; Regulation 110 of the Council of Ministers from the 13th June 1991 for resolving of urgent problems in employment and unemployment; Regulation 121 of the Council of Ministers from the 25th June 1991 for compensation of the population's incomes; Regulation 129 of the Council of Ministers from the 5th July 1991 for contracting of wages, etc. As a result of these, changes were introduced in the Labour Code. At the end of 1997, after several years of argument, the Unemployment Protection and Employment Promotion Act was passed (State Gazette, No.120, 16th December 1997).

The legal foundation of the labour market has recently been completed. After many years of deliberation, the main laws were passed by Parliament during the last year.

- The Unemployment Protection and Employment Promotion Act (promulgated in State Gazette, December 1997) creates legal regulations for the identification of the criteria for unemployment and for access to the system of benefits. The Act also identifies active measures for the creation of alternatives for labour integration of the unemployed. The Unemployment Protection and Employment Promotion Act regulates NGO participation in this field. Thus the institutional framework for the labour market has the legal conditions for expansion and for involving not only regional and municipal authorities, but also NGO-like institutions of the civil society.
- The Social Assistance Law, which represents the new framework for social assistance in Bulgaria
- The Labour Conditions Law, which regulates labour conditions in a market environment.

During 1998 the respective regulations for the implementation of the above laws were prepared and approved by the Council of Ministers. Thus, it seems that presently there are no obstacles to further progress in the development of the labour market. Some problems, incidentally, do arise from the fact that the norms of these new laws have to be co-ordinated with the whole legal foundation currently in force in Bulgaria. The laws have been harmonised with ILO standards and EU requirements to a great extent.

7.3 *Industrial relations*

The transformation of industrial relations in Bulgaria began in 1989-1990. A series of institutional and legislative measures were taken to establish modern industrial relations corresponding to the European standards. The legislative foundation of the new industrial relations is laid down by the Labour Code (1993). They are based on two fundamental principles: tripartite dialogue between social partners and independence of the institutional bodies.

The industrial relations system adopted in Bulgaria could be characterised as centralised. Negotiations are carried out on four independent levels: national, branch, regional and enterprise levels (Chart 3). There is some degree of subordination between these levels. This relates particularly to issues of a mandatory nature (for example, minimum wages agreed on at branch and lower level may not be set at less than the national minimum wage).

The issues of labour and insurance conditions and living standards, which are of national importance, are subject to agreements at the national level. In particular, the topics which are negotiated at this level are as follows: the minimum wage, the initial level of average wages in the public sector, and the mechanisms of wage regulation and specification. Similar issues, but with local importance, are negotiated at branch and regional levels. All concrete parameters regarding wages, employment, minimum wages, job evaluation and the level of additional payments are negotiated at the enterprise level.

The newly created institutional structure of industrial relations corresponds to the particular levels of the social dialogue. Organisational units (national, branch and regional councils) for collaboration and the co-ordination of interests between the social partners have been established at each level of negotiation (Chart 4). These councils are independent bodies based on the tripartite principle. Their degrees of development and functioning vary. Branch and regional levels of negotiations are less developed.

In the social dialogue, only those trade unions and employers' organisations participate which pass the criteria for representation established by the law. Until 1998, six trade unions and four employers' organisations participated in negotiations. In 1998 the number of trade union organisations was reduced to two representative organisations after a vote by members. These are the biggest syndicates in Bulgaria: the Confederation of Independent Trade Unions in Bulgaria (CITUB) and the Confederation of Labour, "Podkrepa". There are no official figures on their number of members.

Collective bargaining

Collective wage bargaining as a social practice in industrial relations was introduced in Bulgaria in 1991. The system of negotiations combines centrally determined wages in the part of the public sector that is fully subsidised by the state budget, and decentralised wage bargaining in the part of the public sector not subsidised by the state budget. In the private sector there is no collective wage bargaining - wages are set by employers. The main characteristics of the negotiation system are summarised in Table A7. A tripartite system of agreements has been adopted at four levels - national, regional, branch and enterprise. Its effectiveness is strongly dependent on the new wage determination system and its institutional and legislative foundations.

During the period under analysis, the wage bargaining system has not changed much. Changes have mainly affected the development of branch negotiations. There is also a tendency towards equalisation of the partners' bargaining powers (particularly at the national level).

The efficiency of the social dialogue in Bulgaria could be evaluated in different ways. In the process of its endorsement as a social practice many problems have emerged. In general, they are related to the spread of collective wage bargaining, to the social partners, the preparation of collective agreements, negotiations on employment and wages, working conditions, etc. Besides these global problems, collective wage bargaining encounters more specific problems. They include the following issues: the highly centralized structure of the wage bargaining model, low representation of branch and regional negotiations, weak co-ordination between employers' organizations, etc.

Besides the above problems in the collective agreements, the combination of central wage fixing and decentralised wage bargaining has created some distortions and led to the emergence of negative tendencies, two of which are of some importance. First, the wage determination system brought into being unjustifiable wage differentials between the budget and non-budget sphere; and second, decentralised wage bargaining in state enterprises has a high inflationary potential, as workers aspire to high wages independently of economic results.

The currency board does not degrade the role of wage bargaining as a basic wage determination system. Instead, the requirements in the negotiation system have grown and become stricter. These requirements are related to the creation of a microclimate in the enterprises that does not predispose to pro-inflationary wage determination. In the frame of the total financial restrictions and the improvement of financial discipline, the problems could be reduced to the equalization of the powers of social partners, the rapid development of branch negotiations, and the confirmation of the decentralized wage bargaining model.

The lack of well established branch negotiations is a weak point of the wage bargaining system in Bulgaria. The co-ordination of interests and achievement of agreements at the branch level will be suitable for transferring the negotiated wage framework at the national level to the lower level, taking into account specific branch features. This should probably restrain the aspirations of some firms to high wages and should stimulate closer linkage to economic performance.

8. Labour Market Policies

Both passive and active labour market policies have played a relatively modest role. The share of expenditure from the "Professional Qualification and Unemployment Fund" has varied between 0.7% of GDP in 1994 and 0.6% in 1997.

The priorities of labour market policy during the years of transition have changed with the stages of economic development. The main elements of policy change have been connected with defining more precisely the criteria for unemployment compensation, reducing the stimuli for payment of benefits, and encouraging the unemployed to participate more actively in programmes for employment, training, retraining and self-employment.

Passive policies played a very important role at the beginning of the transition period, when unemployment "exploded" as a result of the start of reforms in the economy. Since the phenomenon of "unemployment" was new to Bulgarian society, the LMP focused on the identification and registration of unemployed people and payment of unemployment allowances.

Table 8.1: Expenditures on labour market policies (financed out of the "Professional Qualification and Unemployment" Fund) 1993-1998

[illegible]	1993	1994	1995	1996	1997	1998
Total expenditure BLG - million	2.8	3.7	5.4	8.8	108.0	140.4
% GDP	0.6	0.7	0.6	0.5	0.6	0.6
Total expenditure	100.0	100.0	100.0	100.0	100.0	100.0
Active labour market policies	17.3	19.9	27.3	30.8	27.5	31.2
incl:						
Administration services	11.5	12.9	15.3	15.0	11.6	14.7
Training and retraining	1.4	1.3	1.6	1.7	0.6	0.2
Youth programmes	0.2	0.2	0.0	0.1	0.1	0.6
Subsidised employment	4.1	5.4	10.2	13.9	15.0	16.2
Passive labour market policies	82.7	80.0	72.6	69.1	60.1	57.4
Other expenditure	-	-	-	-	12.1	11.4

Source: National Employment Service

Meanwhile the legal and institutional system for unemployment administration were established and developed. Later efforts moved on to the development of active labour policies, including packages of regional or branch programmes for alternative employment, temporary employment, programmes to promote self-employment, etc. (Table 8.1)

The main problems related to the efficiency of the programmes conducted for employment promotion and unemployment protection are:

- no methodology has been developed for evaluating the programmes on the labour market, active or passive.
- the active labour market policies that have been implemented until now have had only temporary effects in creating relative balance in specific labour market segments.
- active and passive labour market policies have been impeded by the lack of adequate experience in the administration of the processes involved and by the severe financial restrictions on the development of such policies.

8.1 Passive labour market policy

The structure of the expenditures in the "Professional Qualification and Unemployment" Fund indicates a decreasing share of unemployment benefits in total expenditure. In a situation of slow progress in structural adjustment, it is impossible to keep a part of the economically active labour force sidelined from the labour market by paying unemployment benefits. There are several reasons for this. First, limited funds are available for paying high unemployment benefits. Second, passive measures have some strong negative effects. They reduce the motivation for seeking employment. This is why recent economic policy includes the creation of new jobs and the increasing of employability in the economy among its priorities.

The unemployment benefit is a compensation for lost work income. The law regulates the period for receiving benefits, the amount of benefit received, and additional conditions accompanying the receiving of unemployment benefits. Annex 8 presents a detailed description of the system.

*Table 8.2: Coverage by unemployment benefits, numbers and %.**

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Number of registered unemployed - thousands	65	419	576	626	488	423	478	521	465
Registered unemployed % of LF	1.5	6.7	13.2	15.7	14.1	10.7	12.5	13.7	12.1
Coverage rate %**	79.1	54.9	38.6	34.6	27.1	22.9	29.8	25.5	29.3
Benefits as share of average wage	43.8	62.2	43.9	38.5	37.6	34.0	28.6	29.5	32.0
Minimum/average benefit as share of minimum wage	73.6	42.8	60.4	86.5	89.9	93.2	105.1	66.2	111.2

The average wage (in US$) varied as follows: 1990-151.2; 1991 - 59.5; 1992 - 89.0; 1993 - 115.3 1994 - 91.8; 1995 - 113.3 1996 - 86.2; 1997 - 84.4 1998 - 124.0.

** The calculations are made by the author from the database of the National Employment Service. The data is also taken from the monthly bulletins and data for the average wage, provided by the National Statistical Institute.*

** *Share of registered unemployed getting benefits*

The evaluation of passive labour market policies requires a review of all stages in their development since the start of the reforms. At the beginning of the transition period, the main goal of passive policies was to identify the unemployed, to register them and to organise the system for benefit payments. The amount of the unemployment benefit was considerably higher than the present amount, measured as a percentage of the average wage. The next stage in the development of passive labour market policies was connected with making the unemployment criteria more precise in order to encourage the unemployed to take a more active role in labour integration. The amount of compensation paid was also reduced. After 1995 the emphasis in labour market policies shifted from passive to active policies. This was connected with the elaboration and pilot approbation of various programmes for labour reintegration.

The data illustrate that passive labour market policies have become more and more restrictive, both regarding the criteria for benefit entitlement and the payment period for unemployment benefits. No evaluations of the impact of this more restrictive approach to unemployment have ben made, which makes it difficult to state the real impact of the changes on the unemployment rate. During the transition period unemployment has been influenced mainly by factors which are outside the labour market system - the labour demand is influenced, for example, by the business cycle and the impact of external factors on the economic system. Therefore the impact of the level of unemployment benefits will be of secondary importance.

8.2 *Active labour market programmes*

The employment programmes include a great variety of schemes: job creation schemes; self-employment promotion; job creation policies in regions with mass lay-offs of the labour force and

Table 8.3: Active Labour Market Programmes 1993-1998

Type of programme	1993	1994	1995	1996	1997	1998
Active labour market policy as % of total exp.	17.3	19.9	27.3	30.8	27.5	31.2
Number of persons completed training programmes *	19075	17130	19457	20724	17557	6409
% number of persons in improving qualifications of total number of persons, completed training programmes	100	90.6	83.1	71.1	69.7	50.0
% total for active policies	8.0	6.6	5.8	5.5	2.4	0.6
% persons in youth programmes of total registered unemployment	-	0.01	0.01	0.05	0.03	0.01
% total budget for active policy	1.5	1.1	0.2	0.3	0.4	0.2
% persons in subsidised employment of total registered unemployment	3.5	6.1	10.0	13.8	18.3	16.0
% budget total active policy	23.9	27.2	37.6	45.1	54.7	51.9

Source: National Employment Service. The number of people taking part in training programmes is not equal to the number of people completing the programmes because of dropouts.

high unemployment rates; programmes for increasing the mobility of the labour force; training and re-training schemes; job placement; special programmes for the physically disabled, youths, and women; early retirement schemes; compensation schemes for the unemployed encouraging them to participate in public works; programmes for the long-term unemployed, etc.

Subsidised employment

As shown in Table 8.3 subsidised employment is the main active labour market programme. The most important sub-programmes are:

Programmes for employment and self-employment promotion, with the purpose of stimulating employers to hire unemployed people, or encouraging the unemployed to start their own businesses. The package of sub-programmes includes schemes which aim to promote:

- employment in the private sector;
- starting of their own businesses by the unemployed;
- job creation for vulnerable groups of unemployed, including in the temporary employment programme;
- occupational programmes in connection with Decisions N142\1992 and N 56\1994 of the Council of Ministers;
- programmes for the unemployed from Smolyan, Madan and Rudozem municipalities;
- programme for the growing of tobacco, sugar beet, etc.

The long-term unemployed are involved in all available active labour market schemes. In most of the schemes, and in "temporary employment schemes" in particular, the first to be included are the long-term unemployed.

Table 8.4: Sub-programmes for subsidised employment

Programmes	1993	1994	1995	1996	1997	1998
Number of persons in subsidised employment	20206	30227	42537	66240	95707	74407
% of total number of registered unemployed	3.5	6.1	10.0	13.8	18.3	16.0
% of reg. unemployed in self-employment of all persons, included in subsidised employment	12.5	3.0	2.0	1.1	1.0	1.1
% Self-employment in total budget for active measures	7.8	6.0	2.8	1.7	1.8	2.2
% of reg. unemployed job creation of all persons, included in subsidised employment	87.4	96.9	97.9	98.8	98.9	98.8
% Job creation in total budget for active measures	92.2	94.0	97.2	98.3	98.2	97.7

Source: National Employment Service

During the last four years job-creation schemes have become an important instrument for reducing the social pressure in certain regions of the country, since these programmes are the only opportunity for increasing employment.

Training

Training and retraining programmes are targeted at countering the mismatch between labour demand and labour supply by updating the qualifications of unemployed people. These programmes are analysed in detail in part 6 and described in Annex 8.1.

Table 8.5: Unemployed, involved in different training and retraining programs - structure

Type of training	1994	1995	1996
Number of registered unemployed involved in training	17130	19457	20724
Total	**100**	**100**	**100**
Professional qualification	2.3	4.9	6.5
Additional professional qualification	43.2	50.0	48.4
Re-qualification	36.5	14.4	22.4
Motivation	18.0	14.4	22.4

Source: Annual reports of the National Employment Service for the respective years, Ministry of Labour and Social Policy.

According to an OECD study on the labour market in Bulgaria, a broad array of active labour market policies exists, including most programmes in place in OECD countries, despite the limited resources. In order to avoid wasting the limited resources available, the study stresses the improvement of labour market performance more generally (OECD, 1998, p.7).

As far as training and retraining schemes are concerned the same study suggests that the pattern whereby participants are chosen indicates "creaming" in retraining programmes. The candidates who are chosen are usually those who have the best chance of finishing the course (OECD,1998, p.33).

From an expert point of view training and re-training programmes require the introduction of diverse services, different forms for rendering these services, and periodic monitoring and evaluation, in order to increase the flexibility and efficiency of the system. The NGOs could play an important role in these activities.

International projects

Employment promotion through international projects such as the "Beautiful Bulgaria" programme is one of the active labour market programmes implemented with the assistance of international institutions. Recently the "Regional Initiatives for Employment" programme, initiated by UNDP, has become very active.

8.3 *Industrial policy*

During the first seven years of transition after 1990, it was a very difficult task to identify a clear and consistent industrial policy for Bulgaria. Perhaps it would be more accurate to speak about the influence of the reforms on the industrial sector.

At the beginning of the transition the state undertook radical liberalisation and discontinued subsidies to the industrial sector. This created a new environment for enterprises, and their survival depended on rapid adjustment and finding new foreign markets. In this new situation, all enterprises with overemployment started to lay off labour. As a result, unemployment increased to over 500 000 people in 1993.

The industrial privatisation process is the second typical factor influencing the development of the industrial sector. By implementing different forms of privatisation (cash privatisation, mass privatisation, sales of shares, management-employee buyouts, etc.) the state aimed at rapid industrial privatisation and development of the private sector in the country. State intervention was expressed in agreements for the preservation of the manufacturing profile of enterprises and the number of working places for a certain period after the transaction.

The period after 1997 can be defined as a new phase in industrial policy, because for the first time after the beginning of the transition the government presented an overall four-year economic programme, including a programme for the economic development of the country.

The industrial policy in this programme is based on several major principles: the further withdrawal of the state from manufacturing and trade; private property as a basis for reforming industry; a social market economy as an economic guarantee for the development of industry; the middle class and competition as stimuli for economic progress; the creation of opportunities and promotion of independent business activity as factors for economic growth (Programme 2001, 1998).

The industrial policy also includes: the need to create new types of employment based on many jobs in small and medium-sized enterprises; support to small and medium-sized businesses; the development of training programmes for manufacturers and entrepreneurs; the organisation and provision of technical assistance for the operation of small and medium-sized enterprises.

An essential part of the recent government programme is state subsidies for high-tech investment and investments in infrastructure (international transport routes passing through the country) as well as communications. The government relies to a great extent on attracting foreign investment in these fields and on "green-field" investments, in particular. The development of such high-tech technology and new innovations have to be taken into account by the educational and vocational education and training system so that they can respond in good time to the new requirements of the labour market.

8.4 *Wage policy, social security and tax policies*

Taxes

Reforms of wage determination have been accomplished by implementing a restrictive wage policy. A tax-based income policy was in use till 1997. The incomes policy was based on the central regulation of wage fund growth by taxing excessive increases. The private sector is not subject to any wage bill norms centrally in consultation with trade unions and employers. The tax-based incomes policy in Bulgaria is based on principles and rules that take into account previous (or forecast) changes in inflation, productivity, average wages and, indirectly, employment. In changing the parameters of the incomes policy, the government intended to introduce a more flexible wage determination mechanism linked to productivity, since the present system is still centralised.

The predominance of negative social and economic effects and the strong pressure of the social partners have forced the Government to make efforts to replace the tax-based incomes policy by a more transparent system of regulation. The new system of regulation was introduced from the beginning of 1997 and covers only the state sector. This system restrains only loss-making state enterprises. It appears not to be completely restrictive, since it allows wage increases not only in profitable firms but in loss-making firms if they improve their financial results.

The regulation of wage growth introduced by the government aimed to counteract the negative consequences of the wage determination process in the state firms mentioned above. The results have not been encouraging. The regulation has negative effects on reforms, and in particular on the restructuring of the labour market.

The lessons and conclusions that might be drawn from the incomes policy during the years of transition clearly suggest that the restrictive incomes policy has created more problems than it has solved. The experiences of incomes policies in Central and Eastern Europe have shown the failure of any attempt to link wages and productivity within a restrictive incomes policy. The currency board imposed automatic restrictions on budget financing and government expenditures. In these circumstances the incomes policy should be limited by the available resources. This requires a more precise formulation of priorities, strategies and instruments, with a view to obtaining maximum social and economic effects.

Social Security

The social sector policy includes the employment policy, the incomes policy and the social security policy. The social security policy of the government in the middle-term is based on the following main issues:

An employment policy based on decreasing taxes on labour, to lower labour costs and increase employability; new job openings (about 180 000) on the basis of an appropriate state and local authority investment policy; the implementation of special small and medium-sized regional projects to create alternative jobs after the restructuring of some branches (mining, the chemical industry, etc.). The development of the Social Investment Fund is supposed to finance about 50 small and medium-sized projects in regions with high unemployment.

The incomes policy is also based on certain principles, namely:

- Low incomes are to be protected.
- Real pursing power is to be increased.
- Wage increases are to be linked in a relevant manner to jobs, so as to balance job protection and job payment.

The achievement of global reforms in social security is based on the creation of a new pension model, and includes:

- creation of stable pension funds for mandatory and voluntary pension insurance;
- efficient uniform social security administration;
- formation of large national and institutional investors;

One goal of the reforms is to avoid increases in social security contributions for employers and employees. Another objective is to improve efficiency in the utilisation of the available financial resources.

This reform is already in progress. The ultimate goal is to raise the level of pensions received by the present pensioners. Pensions are to grow faster than wages. The retirement age is also under discussion, since the present retirement age is considered to be low - 55 years for women and 60 for men, and for some age groups and categories of work just 45 years.

The tax policy is one of the main priorities of the government programme for the period till 2001. The main issues of this policy aim at strengthening the tax system and the financial management.

The main element of the tax policy is the permanent trend towards decreasing the tax burden on the incomes of the population, as well as the tax burden of some indirect taxes.

In the last two years successful steps have been taken towards bringing the tax legislation in line with the new market environment and the requirements of the EU. But it is also necessary to raise the efficiency and the control of the tax administration, as well as to improve tax collection and reduce the administration of the tax system.

9. Conclusions

The labour market in Bulgaria emerged after 1989 and developed in an unfavourable economic environment. The recovery process was very slow and temporary. In 1998, GDP amounted to only 66.7% of the pre-transitional level. The unstable macroeconomic environment, the production crisis and the negative trade balance resulted in incredible job losses. During the period 1989-1998, employment declined by nearly one-and-a-half million people or about one fourth of employment in 1989. The low level of investments did not support new job openings. As a result, the high unemployment that had arisen became stable.

Unemployment rates have varied between 21% in 1993 and 16% in 1998, but for some marginalised groups of the population the unemployment rates have been much higher. The unemployment rates among young people (aged 15-24) have varied between 47 and 36% for the same period. The unemployment rates among people with low education have been nearly twice as high as the overall unemployment rates. During the period studied, long-term unemployment amounted to more than half of total unemployment. Because of the high inflation and restrictive income policy the impoverishment of the Bulgarian population increased tremendously - real incomes in 1998 amounted to only 36.9% of the pre-transitional level. The negative influence of the macroeconomic environment on labour market developments was very strong.

The attempts of the different governments to stabilise economic development through restrictive income, monetary and financial measures have often had negative effects on job creation. The different policies designed and implemented in the above spheres have failed to achieve the expected effects, in spite of being intended to increase employment. This has also been due to the absence of co-ordination and links between the different policies. For this reason, the labour market has been in imbalance to a great extent and the economy has suffered high unemployment. The strong dependence of the labour market on economic growth suggests that positive effects on job creation should be expected only after the achievement of stable economic growth.

The priorities for economic development, and for the labour market in particular, are clearly fixed by the currency board regime (introduced in July 1997) and the agreements signed with the IMF and the World Bank. The priorities set are related to the improvement of job creation through stable and increasing economic growth, the development of entrepreneurship, the creation of more job opportunities by attracting foreign investment, and by state intervention in infrastructure activities. The present government has designed a complete action programme in which employment issues are highlighted as a priority. This action programme outlines the links between the separate activities and their effects on the labour market. This initiative of the government should be considered a very positive one, since the lack of such links until now has resulted in low efficiency for the labour market policy implemented and a waste of resources and efforts. From this point of view, better co-ordination and synchronisation is necessary of labour market development, economic transformation, and restructuring programmes.

The participation rates of the labour force are quite high - 61.6% in 1998 - while the labour demand continues to be relatively low. This causes a bilateral problem: on the one hand, the undertaking of measures to reduce labour force participation, and on the other hand, the implementation of active labour market policies to increase labour demand, particularly in regions with high unemployment or among marginalised groups of unemployed. The measures taken to reduce labour force participation - e.g. early retirement schemes - have had poor effects and in general have increased illegal employment. The experience accumulated indicates that early retirement schemes have not been favourable for reducing labour supply and labour force participation rates, in particular. The lack of permanent analysis and assessment of the efficiency of labour market development and labour market programmes does not allow us to draw definite conclusions about their effects on unemployment. But it is widely recognised that the weakness of the programmes is their targeting. Improved targeting of the different programmes and the eligibility criteria are therefore expected to raise the efficiency of the programmes. The more precise targeting of the participants in the programmes and the programmes themselves are pre-conditions for improving the results of the labour market policies.

The analysis indicates the existing mismatch between the available vacancies and the qualifications of unemployed people. This is also a significant problem for the labour market, which suggests that the educational and vocational education and training system lacks relevance for labour market needs. Although the vocational education and training system has operated relatively successfully and the unemployment rates among people with secondary vocational training are the lowest while their employment rates are relatively high, there is still much scope for the educational system and in particular for the vocational education and training system to intervene to strengthen the links between the qualifications of the labour force and the structural changes in the economy. The reason for this is that the greater part of the working age population has completed secondary education, and most of these people have general secondary education. The existing mistmatch highlights the fact that a significant pool of the unemployed people have completed only the primary or lower educational level. The employment rates in this group are also the lowest. The under-investment in the training of employed people observed now will increase the structural imbalances of the labour market in the near future. All the above mentioned findings of this study point to the need to strengthen the links between the transformation of the educational system and the labour market.

Another important problem is the lack of a flexible labour policy with regard to the programmes implemented. As already pointed out, because of the lack of regular evaluation, the programmes implemented sometimes lack flexibility with regard to the outcomes and the needs of the labour market at both the regional and national level. Despite the limited financial resources, it would seem possible to improve the cost-efficiency of the labour market system through increasing the flexibility of the labour administration and lowering the costs of the system. The analysis indicates that the process of building up the national and local labour market administration is largely complete. Nevertheless, further improvements are needed in the links between the different levels (national - local; local labour offices - employers - trade unions - NGOs; labour offices - employers - training centers; labour offices - social assistance centers; governmental bodies - social partners, etc.) The co-ordination of activities between the different levels and elements of the system should be enhanced. Also, controls and monitoring of the system are not well developed.

There is also a high level of centralisation in programme design and implementation. The experience accumulated until now indictaes that on the one hand, the centralisation of the programmes' design creates problems related to local needs. On the other hand, the allocation of financial resources to local labour market activities creates problems connected with the management and the control of these resources. The development of regional structural funds for employment promotion would be a substantial step towards more active local operations, related to balancing the local labour demand and supply. This will increase the involvement of the local authorities in different employment and unemployment schemes, since until now the local labour market structures have acted mainly as executive bodies.

Our study indicates that the implementation of central decisions creates bureaucracy and passive behaviour at a local level. Non-governmental organisations have also had an insufficient role. From this point of view it is necessary to increase the activity level of the local structures and to involve the NGO community more actively. The present Regional Employment Fund (REF) activities are a step in this direction. The expansion of REF activities should be an appropriate step for increasing the efficiency of the labour market. In this regard there is much scope for co-operation with the Structural Employment Funds and different EC schemes for labour market expansion.

The analysis points out that wage developments since 1990 have shown some unfavourable trends that affect labour market restructuring. Such trends as the considerable decreases in real wages, the substantial growth of wage differentials, and the downward pressure on the minimum wage have not only social effects, but also depress the labour supply, diminish labour force motivation and productivity, and lead to inefficient labour restructuring.

The most sensitive problem is the increasing wage gap between monopolistic and subsidised branches (such as energy, coal mining, and metallurgy), and the other sectors. These branches often operate at a loss and their employees have low educational and skills levels. Nevertheless the workers in heavy industry enjoy some of the highest wages, because of their monopolistic position. In consequence there have been no substantial changes in the relative wage structure. The situation of the sectors and branches with the highest and lowest wages has remained unchanged, while the differences between them have increased. This has had two negative effects on the labour market: first, labour force fragmentation and labour market segmentation have increased, and second, the allocation of labour and labour market restructuring do not correspond to economic efficiency. The solution should be sought in the development of more flexible forms of payment and particularly payment systems linked to productivity.

The other problem of the wage determination system is that the labour force paid at the minimum wage is not protected from poverty. This means that the minimum wage has not fulfilled its social and economic functions. It is used as a tool for the regulation of wages in public administration and some social benefits (e.g. unemployment benefits and child allowances). For this reason the minimum wage has been kept under control and has consequently lagged behind inflation and the average wage. The negative effect does not just concern the workers paid at the minimum wage (they make up a very low share of the total labour force). The impact is greater on employees in the public sector whose salaries are tied to the minimum wage. Employees throughout public administration receive low wages, especially in health care and education. This has negative consequences such as a crisis of motivation, corruption and the departure of the best public employees to join the private sector or to find jobs abroad.

The protection of low wages requires a reconsideration of the minimum wage policy. A number of measures must therefore be discussed and implemented with regard to the minimum wage and the fixing of social assistance levels.

Summarising the findings of the study, the labour market in Bulgaria has structures, legal regulations and administrative support which provide a good basis for its development. Almost all the necessary mechanisms and policies for the regulation of this market are in place. The development of the labour market and the social sphere is being carried out in conditions of social partnership and co-operation. Nevertheless, it is necessary to develop and improve the different aspects of the labour market, as well as to increase their interaction, in order to achieve efficiency and to approximate the requirements of the European Union.

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11. Sources Consulted

Labour Force Survey

The main data sources on which the study is based are the Labour Force Survey (LFS), the Regular Bulletin on Unemployment and the regular statistical observations on employment and unemployment. Because of existing differences based on the methodology which is used for collecting data by the different data sources, the authors present in Annex 5 a detailed description of the methodology. Most of the tables presented in the study are based on LFS data. Some of the tables related to labour force participation rates and employment rates were re-calculated on the basis of the LFS. The LFS presents labour force participation rates as a ratio between the labour force and the population 15 years of age and over (15-70). Employment rates are calculated as a ratio between the employed population and the population 15 years of age and over. Unemployment rates are calculated as a ratio between unemployed persons and the labour force.

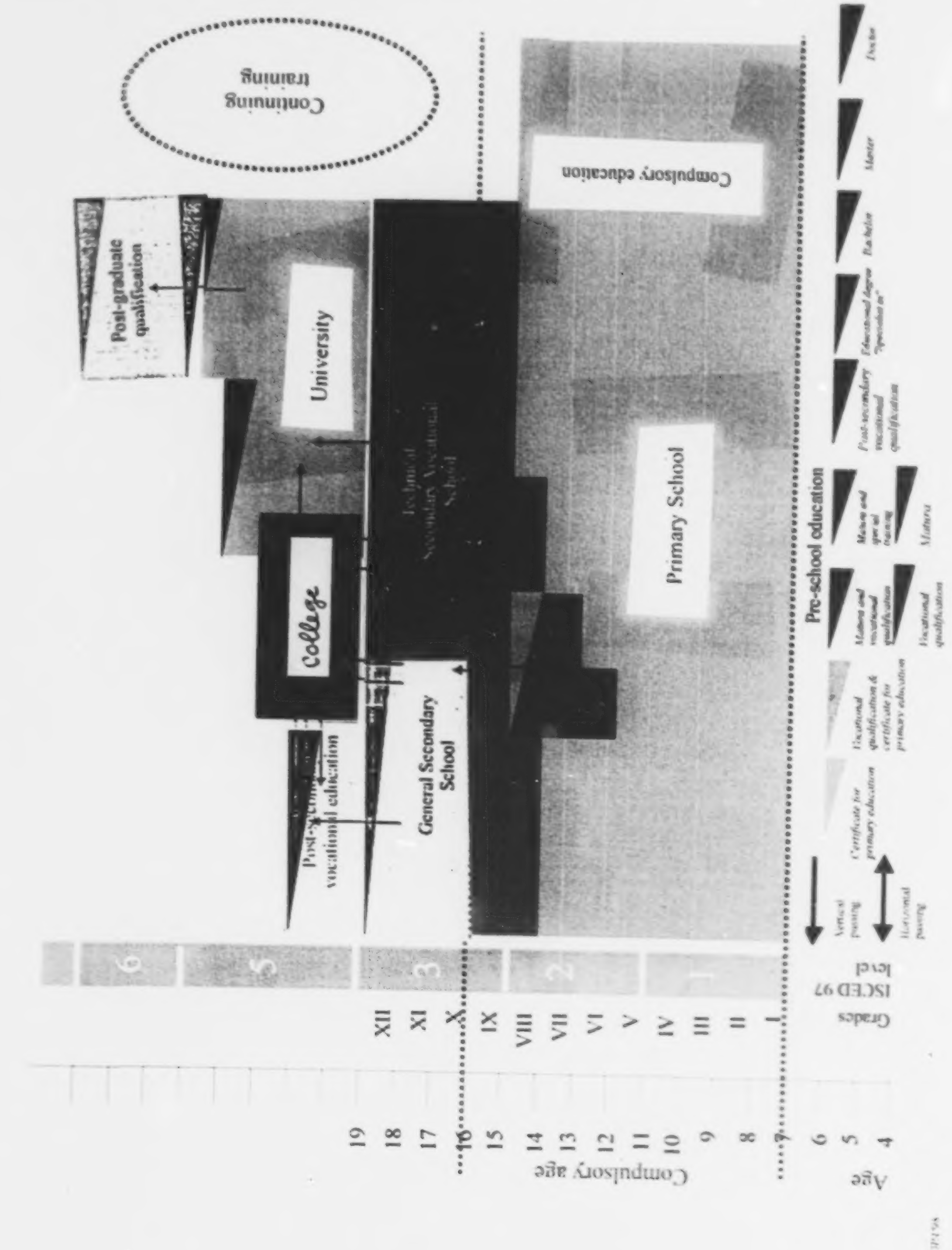
For the purpose of this study labour force participation rates are calculated as a ratio between the labour force and the working age population (15-64), and employment rates as a ratio between the employed and those of working age.

Vocational education and training

The statistical information available on education and training is incomplete and irregular. As there is no statistical information about the training of the employed and about other indicators related to continuous training (e.g. types of training, quality of training, funds spent on training), statistically proven conclusions can not be reached. There is a lack of information about the subsequent success in terms of performance on the labour market of unemployed persons who have completed training courses. As a result, an exact evaluation of training is not possible, either for the training of the employed or of the unemployed.

Charts

Chart 1 *Education and training system in Bulgaria - ISCED 1976*


Post-graduate qualification
Continuing training
University
College
Post-secondary vocational education
General Secondary School
Technical Secondary Vocational School
Primary School
Compulsory education
Pre-school education
Age
Compulsory age
Grades
ISCED 97 level
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
I
II
III
IV
V
VI
VII
VIII
IX
X
XI
XII
1
2
3
5
6
Vertical passing
Horizontal passing
Certificate for primary education
Vocational qualification & certificate for primary education
Matura and vocational qualification
Vocational qualification
Matura and special training
Matura
Post-secondary vocational qualification
Educational degree "Specialist in"
Bachelor
Master
Doctor
BNONKA OP198

74

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Chart 2 Bulgaria - Ministry of Labour and Social Policy - Structure by March 1999

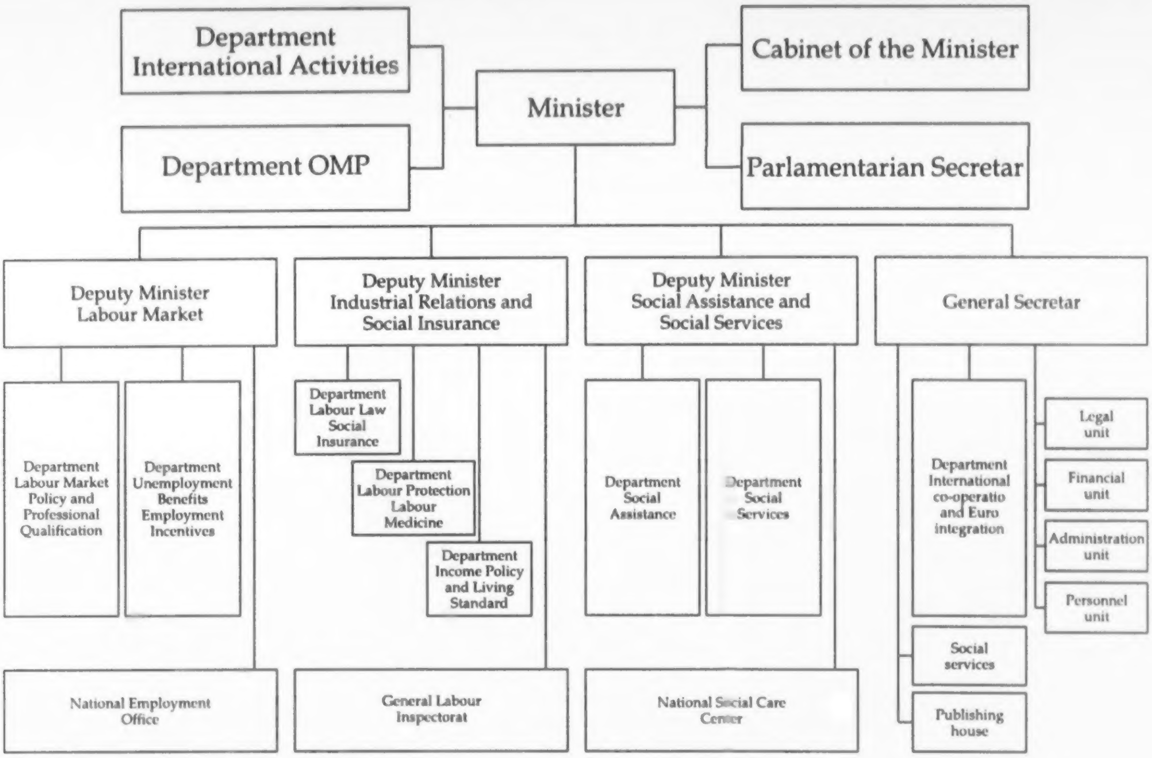

Department International Activities
Department OMP
Minister
Cabinet of the Minister
Parlamentarian Secretar
Deputy Minister Labour Market
Deputy Minister Industrial Relations and Social Insurance
Deputy Minister Social Assistance and Social Services
General Secretar
Department Labour Market Policy and Professional Qualification
Department Unemployment Benefits Employment Incentives
Department Labour Law Social Insurance
Department Labour Protection Labour Medicine
Department Income Policy and Living Standard
Department Social Assistance
Department Social Services
Department International co-operatio and Euro integration
Legal unit
Financial unit
Administration unit
Personnel unit
Social services
Publishing house
National Employment Office
General Labour Inspectorat
National Social Care Center

Chart 3 Organisational structure of the industrial relation in Bulgaria

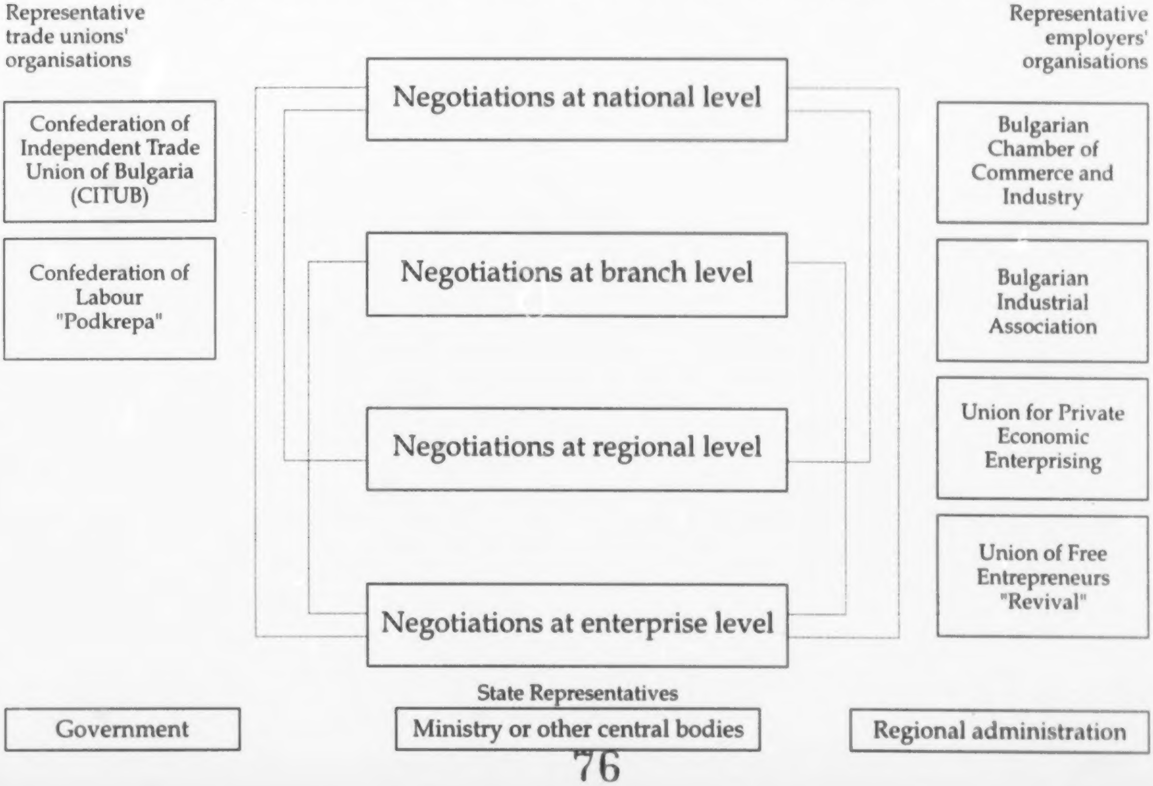
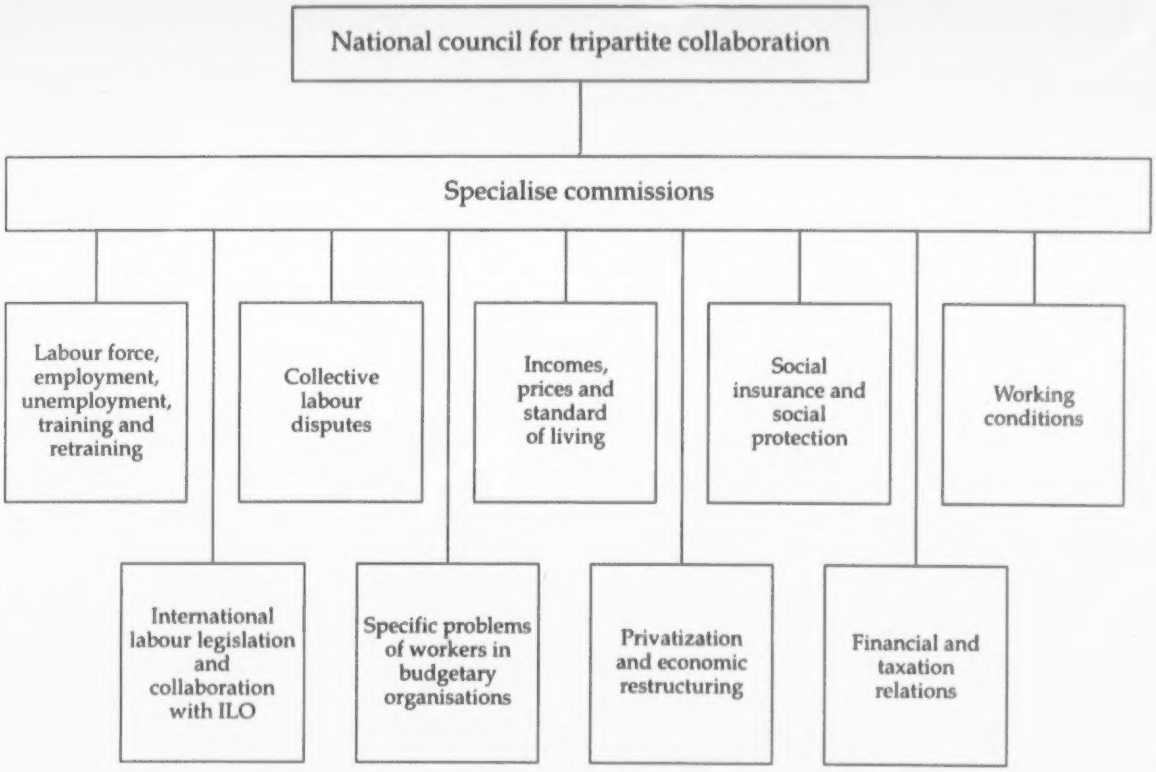

Representative trade unions' organisations
Representative employers' organisations
Confederation of Independent Trade Union of Bulgaria (CITUB)
Confederation of Labour "Podkrepa"
Negotiations at national level
Negotiations at branch level
Negotiations at regional level
Negotiations at enterprise level
Bulgarian Chamber of Commerce and Industry
Bulgarian Industrial Association
Union for Private Economic Enterprising
Union of Free Entrepreneurs "Revival"
State Representatives
Government
Ministry or other central bodies
Regional administration

Chart 4 Organisational structure of negotiations at national level


National council for tripartite collaboration
Specialise commissions
Labour force, employment, unemployment, training and retraining
Collective labour disputes
Incomes, prices and standard of living
Social insurance and social protection
Working conditions
International labour legislation and collaboration with ILO
Specific problems of workers in budgetary organisations
Privatization and economic restructuring
Financial and taxation relations

Annexes

Table A.1 Macroeconomic development, 1989 - 1997

Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997
GDP (billion BGL)	39	45	136	201	299	525	880	1749	17 103
- agriculture	4	8	21	24	30	61	111	254	3 987
- industry	24	23	63	91	117	173	273	498	4 483
- services	12	14	64	90	148	250	450	899	6 766
Real GDP, annual rates,%	na	-9.1	-11.7	-7.3	-1.5	1.8	2.9	-10.1	-6.9
Industrial output (1989=100)	100	83.2	64.7	54.4	48.5	50.7	53.1	50.8	45.8
Productivity (1989=100)	100	88.7	79.4	72.7	65.9	68.4	70.2	67.4	61.0
Unemployment rate, (ILO def.), (%)	na	1.5	6.7	13.2	15.7	14.1	10.7	12.5	13.6
Employment (annual rates-%)		-6.2	-13.0	-8.2	-1.6	0.6	1.3	0.1	-2.6
Real earning in public sector (Before taxation),%	na	5.3	-39.0	12.8	1.1	-17.9	-5.5	-17.6	-18.8
Inflation rates, %	na	23.9	338.5	82.5	72.1	87.1	62.1	123.0	1087.8
Budget deficit (% of GDP), %	na	na	-3.7	-5.6	-10.9	-5.8	-5.7	-10.5	-3.1
Export (FOB) (MUSD)	3 138	2 615	3 737	3 956	3 726	3 935	5 110	4 890	4 926
Import (FOB) (MUSD)	4 337	3 372	3 781	4 169	4 612	3 952	4 682	5 074	4 558
Interest rate, %	4.5	4.5	5.6	48.5	48.0	64.0	50.1	115.7	72.0
Exchange rate (BGL/USD)	na	na	17	23	28	54	67	162	1677
Share of private sector in GDP,%	na	9.1	11.9	25.6	35.4	39.4	48.0	52.5	58.8
Direct foreign investment (MUSD)	na	na	56	42	55	105	98	134	498
Foreign dept (MUSD)	na	na	12 301	13 858	13 889	11 411	10 229	9 596	9 763
Current account (MUSD)	na	na	-77	-360	-1098	-25	-26	-28	446

Source: Statistical yearbook, NSI, respective years; Annual Report of National Bank, BNB, respective years and Statisticheski spravochnik, NSI, 1998, p. 171

Table A.2 *Average wage in public sector per branch, 1989 - 1998, (BGL per month)*

Sectors/ Branches	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Agriculture	269	421	985	1 558	2 290	3 462	5 339	10 990	119 710	242 757
Coal mining	395	545	1 495	3 528	5 605	7 795	10 603	22 420	203 540	290 426
Metalurgy	332	474	1 311	3 344	5 161	8 261	11 024	26 394	312 223	370 680
Electricity	298	472	1 453	3 660	5 699	7 992	11 600	20 919	222 885	357 236
Manufacturing	232	375	1 025	2 160	3 217	4 698	6 516	14 260	141 496	194 032
Trade	304	332	929	2 015	3 168	4 886	7 827	17 595	172 630	276 106
Construction	298	404	1 144	2 346	3 504	5 533	7 836	13 974	129 010	204 114
Transport	268	396	1 066	2 371	3 884	6 050	9 112	16 461	177 789	244 389
Financial services	296	409	1 423	3 274	6 333	9 404	14 267	25 282	216 538	315 089
Public administration	231	407	1 096	2 194	3 752	5 652	8 205	11 455	115 693	212 633
Education	225	334	914	1 671	2 633	3 834	5653	9 049	91 475	147 396
Health and social sector	257	365	927	1757	2 810	4 053	5 863	8 850	86 792	140 144
Other services	373	352	920	2 074	3 793	5258	8 274	11 701	NA	NA

Source: Statistical yearbook, NSI, respective years, Statisticheski spravochnik, NSI, 1998, pp. 51-52

Table A.2.1 *Average wage by region, 1989 - 1996, per month, (BGL, %)*

Region	1989	1990	1991	1992	1993	1994	1995	1996
Country	274	361	959	2 047	3 231	4 960	7 597	13 965
Sofia-town	306	386	1 050	2 447	3 890	6 053	9 055	15 955
Bourgas	276	380	1 065	2 173	3 378	5 307	8 205	15 610
Varna	271	368	1 014	2 120	3 363	5 200	8 128	15 292
Lovech	269	343	887	1 853	2 891	4 372	6 734	11 944
Montana	266	346	933	1 955	2 978	4 492	6 844	12 610
Plovdiv	269	353	913	1 925	3 037	4 653	7 288	13 152
Russe	262	351	897	1 821	2 892	4 405	6 659	12 108
Sofia-area	274	347	895	1 957	3 119	4 794	7 261	13 784
Haskovo	263	366	969	2 004	3 190	4 765	7 317	13 987

Table A.2.2 Relative wages by region (average in the country = 100)

Region	1989	1990	1991	1992	1993	1994	1995	1996
Country	100	100	100	100	100	100	100	100
Sofia-town	111.4	107.1	109.5	119.5	120.4	122.0	119.2	114.2
Bourgas	100.6	105.4	111.0	106.1	104.5	107.0	108.0	111.8
Varna	98.7	101.9	105.8	103.6	104.1	104.8	107.0	109.5
Lovech	98.1	95.2	92.4	90.5	89.5	88.1	88.6	85.5
Montana	97.1	95.9	97.3	95.5	92.2	90.6	90.1	90.3
Plovdiv	98.1	97.9	95.2	94.0	94.0	93.8	95.9	94.2
Russe	95.5	97.4	93.5	89.0	89.5	88.8	87.7	86.7
Sofia-area	99.8	96.1	93.4	95.6	96.5	96.6	95.6	98.7
Haskovo	95.9	101.4	101.0	97.9	98.7	96.1	96.3	100.2

Source: Calculated on the basis of data from Statistical Yearbook, NSI, respective years.

Table A.3 Total employment by sector and gender 1989 - 1997

Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total employment	4366	4097	3564	3274	3222	3242	3282	3285	3198
number of employed in agriculture	814	758	696	694	712	752	770	800	776
number of employed in mining	47	44	42	39	38	36	36	37	34
number of employed in manufacturing								782	755
number of employ-ed in energy industry	36	38	37	35	37	37	38	57	58
number of employed in construction	361	337	253	204	209	192	187	166	157
number of employed in trade	395	372	342	329	332	369	357	321	319
number of employed in transport	247	242	223	193	197	188	206	252	246
number of employed in financial services	26	25	27	35	37	44	51	42	40
number of employed in public administration and defence	61	54	50	52	67	75	76	73	77
number of employed in education	277	273	268	263	263	255	253	256	247
number of employed in health and social work	214	221	207	204	200	195	199	187	183
number of women employed in other services	41	43	37	33	38	37	36	195*	190*

** the number increased due to the new branch classification*
Source: National Bank of Bulgaria, Annual Report and Statisticheski spravochnil, NSI, 1994-1998

Table A.3.1 Total employment by region - November 1998 number (thousand) and structure

Regions	Sept 93	June 94	Oct 94	Mar 95	June 95	Oct 95	Mar 96	June 96	Nov 96	June 97	Nov 97	June 98	Nov 98
Country	2994.6	2942.1	2868.7	2883.1	3038.0	3031.5	2976.4	3137.4	3085.4	3090.4	3030.1	3148.9	2920.7
Sofia	479.1	481.6	473.0	481.2	510.3	507.7	516.3	524.5	520.7	516.6	509.5	518.2	507.3
Bourgas	301.4	291.6	291.5	281.0	297.3	303.3	292.9	303.8	287.9	302.9	286.8	305.4	270.8
Varna	328.6	313.0	306.1	319.3	328.7	331.3	314.4	341.7	327.8	336.7	327.0	340.8	308.0
Lovech	363.6	347.0	344.6	333.9	347.4	352.7	340.4	360.5	357.2	338.1	336.9	342.7	324.7
Montana	192.1	181.3	176.1	178.1	190.8	183.4	179.0	185.2	190.5	176.2	171.5	180.0	175.6
Plovdiv	420.2	415.8	405.4	401.3	436.5	435.5	421.1	437.3	448.7	445.5	423.6	452.6	413.2
Russe	243.9	234.4	242.9	248.0	263.7	262.3	247.8	269.9	258.3	259.8	266.7	281.5	250.9
Sofia-area	324.2	338.6	328.6	338.7	347.4	341.0	340.5	367.1	356.7	359.4	359.0	361.2	351.8
Haskovo	341.4	338.8	300.5	301.6	316.0	314.4	324.0	347.3	337.6	355.2	349.1	366.6	318.4
Country	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sofia	14.7	15.2	16.4	10.1	10.6	12.0	17.3	16.7	16.8	16.7	16.8	16.4	17.3
Bourgas	10.2	10.0	10.1	16.6	16.7	16.7	9.8	9.6	9.3	9.8	9.4	9.6	9.2
Varna	10.7	10.8	10.6	9.7	9.7	10.0	10.5	10.8	10.6	10.8	10.7	10.8	10.5
Lovech	11.9	11.7	12.0	11.0	10.8	10.9	11.4	11.4	11.5	10.9	11.1	10.8	11.1
Montana	6.9	6.9	6.1	6.1	6.2	6.0	6.0	5.9	6.1	5.7	5.6	5.7	6.0
Plovdiv	14.4	14.2	14.1	13.9	14.3	14.3	14.1	15.0	14.5	14.4	13.9	14.3	14.1
Russe	8.6	8.6	8.4	8.6	8.6	8.6	8.3	8.6	8.3	8.4	8.8	8.9	8.5
Sofia-area	11.2	11.3	11.4	11.7	11.4	11.2	11.4	11.7	11.5	11.6	11.8	11.4	12.0
Haskovo	10.9	10.9	10.4	10.4	10.4	10.3	10.8	11.0	10.9	11.4	11.5	11.6	10.9

Source: LFS for the respective periods

Table A.3.2 Structural imbalances - registered unemployed and vacancies by occupation - shares of total

Unemployed	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total - incl:	100	100	100	100	100	100	100	100	100
■ workers	48.5	43.8	30.1	28.5	27.5	25.3	25.7	24.7	22.7
Specialists:	40.9	27.8	20.4	18.7	17.7	16.1	16.7	17.0	14.9
■ engineers	16.0	13.7	10.8	10.3	9.5	8.4	8.4	8.2	7.2
■ agrarian	3.2	2.1	2.3	2.0	1.9	1.9	1.9	2.0	1.8
■ economists	8.0	4.0	2.9	2.6	2.6	2.6	2.9	3.1	2.9
■ health	1.0	0.9	0.6	0.6	0.6	0.4	0.5	0.5	0.4
■ teachers	4.7	2.9	2.0	1.8	1.7	1.5	1.6	2.0	1.7
■ arts	0.9	0.7	0.5	0.4	0.4	0.3	0.3	0.3	0.2
■ others	6.5	-	0.9	0.8	0.8	0.8	0.7	0.6	0.5
■ unskilled	10.5	28.3	49.4	52.8	54.7	58.5	57.5	58.3	62.3
Vacancies									
Total - incl:	100	100	100	100	100	100	100	100	100
■ workers	92.6	60.8	34.3	31.1	26.2	23.8	21.5	21.6	22.1
Specialists:	4.9	34.7	38.3	41.3	35.3	35.4	34.4	22.2	34.5
■ engineers	1.2	5.0	6.1	5.8	6.1	6.5	5.2	4.5	9.8
■ agrarian	0.0	0.2	0.3	0.3	0.2	0.3	0.2	0.2	0.6
■ economists	0.5	2.7	4.6	4.7	3.8	2.7	2.1	1.9	2.4
■ health	1.8	11.0	10.9	8.4	6.3	9.2	8.0	4.2	7.1
■ teachers	0.1	7.0	11.7	11.6	12.6	11.1	12.3	4.1	6.9
■ arts	0.0	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.5
■ others	1.0	6.5	3.9	9.8	0.5	5.1	6.0	6.6	6.9
■ unskilled	2.4	4.5	27.2	27.5	38.4	40.6	44.0	56.1	43.3

Source: Monthly Bulletins, Ministry of Labour and Social Policy

*Table A.3.3 Registered vacancies by region**

Regions	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sofia	14.1	32.7	22.7	26.1	16.2	28.5	10.6	10.4	13.9
Burgas	8.9	8.5	7.0	6.3	8.9	6.7	6.5	5.5	5.8
Varna	12.5	8.2	9.5	12.6	9.5	10.3	12.4	10.2	12.4
Lovech	8.7	7.8	9.4	5.9	7.3	5.9	8.0	8.6	10.4
Montana	4.9	5.1	5.2	6.8	4.8	4.9	5.2	7.6	4.6
Plovdiv	18.0	13.4	10.4	9.0	13.7	8.8	11.3	13.6	14.4
Russe	6.1	5.3	5.9	6.5	5.0	3.3	4.9	8.7	3.5
Sofia-area	11.8	7.4	16.0	14.1	16.2	17.1	19.3	13.3	15.4
Haskovo	13.5	11.5	13.5	12.4	17.9	13.1	21.4	21.8	19.7

**by 31 December,*
Source: Calculated on the basis of data from Monthly Bulletins, MLSP,

Table A.3.4 Registered number of unemployed persons and vacancies by occupation - number

Unemployed	1991	1992	1993	1994	1995	1996	1997	1998
Registered unemployed - workers	184764	173919	178391	134355	107284	123246	129557	105687
Registered vacancies for workers	6067	2465	2315	2896	3325	2253	2199	2115
Registered unemployed - specialists	116437	117936	116907	86788	68435	79953	88890	69458
Registered vacancies for specialists	3465	2749	3073	3903	4947	3595	2263	3300
Registered unemployed - unskilled	119012	285038	330843	267054	248054	275571	305062	290057
Registered vacancies for unskilled	453	1956	2049	4242	5666	4597	5709	4140

Table A.4 Total population by age group and gender (thousands)

Age group	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total	8992	8531	8518	8484	8459	8427	8384	8339	8283
0-4	582	549	521	482	460	435	408	389	366
5-9	600	579	574	541	535	527	517	498	480
10-14	671	633	620	590	577	565	555	548	541
15-19	657	636	644	635	640	630	618	603	589
20-24	595	569	579	592	592	600	608	620	632
25-29	603	531	518	531	538	552	566	580	589
30-34	628	557	550	567	562	557	548	536	527
35-39	651	580	586	592	585	578	572	565	562
40-44	646	627	622	625	617	604	588	590	583
45-49	538	519	544	562	582	603	623	611	610
50-54	534	501	492	493	495	499	507	529	542
55-59	581	554	551	535	516	490	479	469	467
60 -64	547	1690 (60 and >)	1711 (60 and >)	524	521	528	517	512	494
65-69	485		-	482	485	474	471	459	466
70-74	239		-	337	372	392	397	402	398
75-79	237			181	175	170	185	219	250
80 and >	188			190	200	142	218	202	177

Female

Age group	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total	4554	4338	4342	4315	4398	4297	4281	4263	4238
0-4	284	268	253	234	223	211	199	190	178
5-9	292	281	279	264	261	257	252	242	233
10-14	327	308	301	286	280	274	263	267	263
15-19	320	309	314	312	312	307	301	293	286
20-24	292	277	284	289	290	294	299	305	311
25-29	283	265	258	262	265	272	278	284	289
30-34	312	279	276	282	280	277	272	266	261
35-39	325	292	297	297	294	291	287	283	281
40-44	325	316	316	315	301	305	298	298	295
45-49	271	263	278	285	295	307	317	312	311
50-54	272	256	253	252	254	256	261	272	280
55-59	299	285	285	277	268	255	250	245	245
60-64	286	931 (60 and>~)	943 (60 and >)	275	273	278	274	273	264
65-69	263			261	263	256	255	249	253
70-74	132			188	209	221	224	227	226
75-79	135			103	100	98	107	126	147
80 and	113			115	100	84	131	122	108

** available population, end of each year*
Source: Statistichestki spravitchnik, NSI, 1992,p.29;1993,p.45; 1995, p.30;1997,p.10;1998,p.9

Table A.4.1 Population by educational level - Census data - 1992 (structure)

Age group	Total	Higher	Secondary	Elementary	Primary	Lower
Total	7797602	619294	2888144	2370214	1231727	688223
7-14 years	919317	-	-	59650	465410	394257
15-19 years	442538	-	178184	403834	40763	12903
20-29 years	1124247	88820	794978	192893	30604	16952
30-39 years	1159806	184201	686718	236825	34920	17142
40-49 years	1188382	155873	583336	374069	51988	23116
50-59 years	1030411	95312	337477	438007	115833	
60 and over	3817044	329277	1416360	1225306	543982	302119

Female

Age group	Total	Higher	Secondary	Elementary	Primary	Lower
Total	3980558	290017	1471784	1144908	687745	386104
7-14 years	500742	-	-	30220	225707	150726
15-19 years	312134	-	91779	194742	18991	
20-29 years	552363	51618	388960	88383	16262	9140
30-39 years	580572	97087	348153	105951	19636	9245
40-49 years	601237	76848	308466	171170	30406	14347
50-59 years	530532	37887	180662	214381	68481	20121
60 and over	957067	28577	155764	340061	308262	126403

Source: Census data, NSI, Book 1, 1993, p.56-64

Employment and unemployment data have two sources of information - LFS and current statistical data.

LFS in Bulgaria - main concepts and definitions

The first LFS was conducted in September 1993. Since than 12 LFS have been carried out - two in 1994; three in 1995, three in 1996; two in 1997 and two in 1998. The representative survey covers a sample of 30 000 households in the whole territory of the country. Since October 1995 the sample has been reduced to 24 000 households. The reference period is one week. The main definitions follow the ILO standards. The data are collected from two-stage cluster sample of the population of 15 years and over.

1. *Sample design*

The two-stage stratified cluster sample based on 1992 Population Census has been used. The sample is designed by regions, separately for urban and rural population. For each of the 56 subpopulation - 28 for urban and 28 for rural population, the 1% subsamples of their total population have been drawn. According to the rotation scheme, 1/2 of the households stay in two consecutive observations.

The cluster of the first stage are the enumeration districts and of the second the households. With probability proportional to the size of the regional population, 2000 enumeration districts have been chosen, within which systematically 12 households have been selected. This scheme of constant number of households selected in each first step cluster ensure equal burden of interviewers.

In determining the size of the sample, the reliability of data and available finances have been taken into account. Finally, about 54 thousands persons of age 15 years and above, living in 21 000 non-institutional households have been subject to observation.

2. Estimation procedure

Current demographic data of the population of age 15 years and over have been used to adjust and weight the results from the survey. The standard and maximal absolute and relative errors have been calculated.

3. Employment data

The two sources of information have been mentioned above. The main specifics of each source of information are presented in the table below:

Source: LFS	**Source: Current National Statistical Institute (NSI) data**
Period of available data: ■ 1993 (September); ■ 1994 (June and October); ■ 1995 (May, June and October); ■ 1996 (May, June and November; ■ 1997 (June and November) ■ 1998 (June)	Period of available data: ■ Monthly, quarterly and annual data
Indicators: 1. Total number of employed people 2. Employed by sex, age and status in employment (age groups as follows: (15-24; 25-34; 35-44; 45-54; 55-64; over 65); 3. Total number of employed status in employment (employers; self-employed; employees - in private and in public enterprises; unpaid family workers; unknown) and by gender. 4. Employed by urban/rural areas, education and status in employment 5. Employed by usual weekly hours of work and sex 6. Employed by usual weekly hours of work and sectors (public, private); 7. Employment by regions - total number and sex;	Indicators: 1. Total number of employment - annual average numbers; 2. Employed by branches 3. Employed by sectors (public, private) 4. Total number of personal - quarterly and monthly data; by sectors and branches 5. Employment by regions N.B. This is the only source of information presenting branch composition of employment.
Methodology: ■ LFS methodology according to the ILO standard (see above).	Methodology: ■ Monthly and quarterly employment ■ Comprehensive survey for employment in the public sector ■ for the private sector - depending on the size of the enterprises - more than 50 employees - comprehensive survey; ■ from 20-50 employees - 50% coverage of the survey;

Source: LFS	**Source: Current National Statistical Institute (NSI) data**
	■ from 10-20 employees - 30% coverage of the survey; ■ up to 10 employees - sample
	Annual employment - comprehensive survey on the basis of the annual reports of the firms plus employment in the agricultural sector calculated according to the LFS data;
Differences with NSI data: ■ Employed in army not included ■ Employment in agricultural sector is calculated on the basis of the size of the cultivated land	Differences with LFS data: ■ Employed in army is included ■ Employment in agricultural sector is calculated on the basis of agricultural population cultivating land, producing products and selling them;
Information about employment by professions and occupations is gathered but not proceeded and published.	No information about employment qualification

Branch structure coverage:

Since 1997 the branch structure has changed from national to international classification - NACE classification. Data is available according to this classification for 1996, 1997 and 1998. The branch structure includes: agriculture; forestry; industry - 19 sub branches; construction; while services include 16 sub branches;

The comparison of LFS and NSI data on employment points out that LFS figures on employment are less than that of the NSI by about 150-200 thousand people. A reasonable explanation may be the different criteria for accounting employment in the agricultural sector.

Unemployment

There are two main sources of information : LFS and monthly information coming from the labour offices and published by the National Employment Service (NES).

LFS data on unemployment	**National Employment Service data on unemployment**
Period for which data are available	Period for which data are available
1993 (September); 1994 (June and October); 1995 (May, June and October); 1996 (May, June and November); 1997 (June and November); 1998 (June)	Monthly data since July 1990

LFS data on unemployment	**National Employment Service data on unemployment**
Available indicators 1. Unemployed by gender and age 2. Unemployed by gender and duration of job search 3. Unemployed by gender and methods of job search 4. Unemployed by gender and reasons of unemployment 5. Unemployed by duration of job search and urban/rural areas 6. Unemployed by duration of job search and gender 7. Unemployed by duration of job search and age 8. Unemployed by duration of job search and education 9. Unemployed by duration of job search and marital status 10. Unemployed by methods of job search and urban/rural areas 11. Unemployed by methods of job search and gender 12. Unemployed by methods of job search and education 13. Unemployed by methods of job search and age 14. Unemployed by methods of job search and marital status 15. Unemployed by reasons of unemployment and gender 16. Unemployed by reasons of unemployment and age 17. Unemployed by reasons of unemployment and education 18. Unemployed by reasons of unemployment and urban/rural areas 19. Unemployed by reasons of unemployment and marital status 20. Unemployed by relation to the head of the household and urban/rural areas 21. Unemployed by relation to the head of the household and education 22. Unemployed by relation to the head of the household and age 23. Unemployed by relation to the head of the household and gender 24. Unemployed and unemployment rates by gender and by districts	Available indicators (all indicators by the end of the month) 1. Unemployed - absolute number and level and gender 2. Unemployed by professions (broad classification - workers, specialists (engineers, agricultural specialists, economists, health specialists, teachers, arts, others) and by gender, age group, status in unemployment, turnover 3. Unemployed by level of education - secondary, basic and lower and by gender, age group, status in unemployment, turnover 4. Unemployed by duration of unemployment, gender, benefit entitlement and qualification (workers, specialists, unskilled), level of education; age group 5. Unemployed by benefit entitlement, age groups and qualification and education 6. Unemployed, included in passive and active labour market policies - number of people during the months and since the beginning of the year 7. Unemployed, included in training and retraining courses - numbers, gender, age group, education 8. Unemployed by districts - absolute number, gender, education, benefit entitlement 9. Unemployment turnover - inflows and outflows 10. Vacancies - notified during the month - numbers and kind (for workers, for specialists, for unskilled people) 11. Filled vacancies - total number and by kind (workers, specialists and unskilled) 12. Vacancies, available by the end of the month - number and kind 13. Unemployment by districts (9) and municipalities - total number, number of youths; long-term unemployment; available vacancies; level of unemployment

Table A.5 Unemployment according to ILO definition by education - number and structure

Period	Total	Higher	Semi-higher	Secondary-vocational	Secondary general	Primary and lower
Sep. 93	4753.0	475.1	216.5	955.6	1291.7	1814.1
June 94	4726.1	477.3	211.8	904.3	1377.5	1755.3
Oct. 94	4725.2	474.9	215.8	888.8	1399.3	1746.4
March 95	4745.6	478.0	214.9	879.1	1419.7	1753.9
June 95	4726.4	492.0	204.2	923.9	1413.8	1692.5
Oct. 95	4724.2	495.5	210.4	897.8	1439.2	1681.2
March 96	4754.7	502.4	213.8	903.0	1440.5	1695.0
June 96	4760.4	498.1	207.6	907.3	1495.9	1651.6
Nov. 96	4764.3	488.0	207.8	899.6	1528.8	1640.2
June 97	4743.2	508.5	204.3	901.3	1551.0	1578.1
Nov. 97	4734.4	518.2	203.5	904.2	1524.0	1584.5
June 98	4759.3	521.7	199.8	918.1	1589.7	1530.0
Nov. 98	4758.4	537.0	195.6	961.8	1525.0	1539.1

Structure

Period	Total	Higher	Semi-higher	Secondary vocational	Secondary general	Primary or lower
Sep. 93	100.0	5.4	2.1	16.8	28.2	47.2
June 94	100.0	5.0	1.9	16.6	29.0	47.0
Oct. 94	100.0	5.0	2.4	16.3	30.0	46.1
March 95	100.0	4.5	2.0	15.6	29.8	48.0
June 95	100.0	4.7	1.4	16.1	29.0	46.7
Oct. 95	100.0	4.8	1.9	16.6	29.0	47.5
March 96	100.0	4.5	2.0	15.8	29.4	48.0
June 96	100.0	4.5	2.2	17.1	30.0	46.0
Nov. 96	100.0	4.8	2.4	18.4	32.2	42.1
June 97	100.0	5.1	2.1	18.9	33.9	40.0
Oct. 97	100.0	5.7	2.6	18.2	32.5	41.0
June 98	100.0	6.2	2.4	18.4	32.6	40.2
Nov. 98	100.0	6.1	2.3	19.3	31.3	40.8

Source: LFS for the respective periods, NSI

Table A.6.1 Educational attainment working age population (16-59 age for men and 16-54 age for women), ISCED 1976, 1993 - 1998, percentage

	1993	1994	1995	1996	1997	1998
Completion of Primary Education (ISCED 0-2)	38.2	37.0	35.6	34.4	33.5	32.3
Completion of Secondary Education (ISCED 3)	47.3	48.4	49.5	51.0	51.3	52.2
Of which:						
■ Vocational education	20.1	18.8	19.0	18.9	19.1	20.2
■ General secondary	27.2	29.6	30.5	32.1	32.2	32.0
Tertiary Education (ISCED 5+6)	14.6	14.6	15.0	14.6	15.2	15.4
TOTAL	100	100	100	100	100	100

National Statistical Institute, Labour Force Survey

Table A.6.2 Participation rate in education and training, (ISCED 1976), 1993 - 1997

	1993	1994	1995	1996	1997
3-5 age group	56.1	57.7	62.1	64.1	59.7
6-15 age group	93.1	94.4	95.1	94.9	94.7
16-19 age group	51.4	54.1	54.3	54.1	54.5
20-24 age group	20.4	21.6	23.9	24.8	24.5
TOTAL	63.3	64.6	65.7	65.6	64.6

National Statistical Institute

Table A.6.3 Students per teacher ratio, (ISCED 1976), 1993 - 1998

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Pre-primary and primary schools (ISCED 0+1)	13.5	13.8	13.9	13.8	14.2	na
Grammar schools (ISCED 2+3)	11.6	11.5	11.2	10.8	11.2	11.1
Third level schools (ISCED 5+6)	9.4	8.7	9.3	9.4	11.3	10.5

National Statistical Institute

Table A.6.4 Public expenditure per student, (ISCED 1976), 1993 - 1996, thousands BGL

[illegible]	1993	1994	1995	1996
Pre-primary schools (ISCED 0)	13 600	19 200	27 400	44 900
Primary and Grammar schools (ISCED 1+2+3)	7 400	11 100	15 500	24 700
Third level schools (ISCED 5+6)	16 000	21 700	27 900	47 900

National Statistical Institute

Table A.6.5 Labour market, education and training situation of youngsters aged 16-25, 1997

	Percentage of youngsters whose main activity is				
Males	Education/ Training	Employed	Unemployed	Other	
16-20 years old	56.30	4.30	5.40	34.00	100
21-25 years old	18.70	37.60	18.40	25.30	100
16-25 years old	37.20	21.20	12.00	29.60	100
Females					
16-20 years old	60.80	8.10	8.20	22.90	100
21-25 years old	29.30	30.50	13.40	26.80	100
16-25 years old	45.10	19.30	10.70	24.80	100
Total					
16-20 years old	58.50	6.20	6.80	28.50	100
21-25 years old	23.80	34.20	15.90	26.00	100
16-25 years old	41.10	20.20	11.40	27.20	100

National Statistical Institute, Labour Force Survey, XI, 1997

Table A.6.6 Vocational training by age group (Participation in all education and in vocational education (percentages of population in relevant age groups), 1993 and 1997)

	Vocational education				All education			
	1993	EU average	1997	EU average	1993	EU average	1997	EU average
14-19 years old	32.2		35.0		62.9		65.5	
20-24 years old	19.1		23.0		20.4		24.5	

National Statistical Institute

Table A.6.7 Labour market, education and training situation of aged 25-59, percentage

	Percentage of individuals				
Males	Education/ Training	Employed	Unemployed	Other	
25-29 years old	na	78.70	12.40	na	100
30-39 years old	na	89.50	7.30	na	100
40-49 years old	na	88.60	6.00	na	100
50-59 years old	na	79.30	6.50	na	100
25-59 years old	na	85.60	7.40	na	100
Females					
25-29 years old	na	69.00	11.60	na	100
30-39 years old	na	84.00	8.20	na	100
40-49 years old	na	88.50	6.40	na	100
50-59 years old	na	58.20	3.90	na	100
25-59 years old	na	78.50	7.10	na	100
Total					
25-29 years old	na	73.80	12.00	na	100
30-39 years old	na	86.60	7.80	na	100
40-49 years old	na	88.60	6.20	na	100
50-59 years old	na	68.30	5.20	na	100
25-59 years old	na	81.90	7.20	na	100

National Statistical Institute, Labour Force Survey, XI, 1997

Table A.6.8 Total employment by educational attainment

	1993	1994	1995	1996	1997	1998
with finished vocational schools, %	23.2	22.5	22.5	22.2	22.3	24.0

National Statistical Institute, Labour Force Survey

Table A.6.9 Participation in continuing training of workers, adult education, and in training measures for the unemployed, by age group, 1997

	14-24 years old	25-44 years old	45 and more
Continuous training			
Adult education			
Training for the unemployed	5 961	9 687	1 831

National Employment Service, Administrative Statistics

Table A.6.10 Expenditure and drop-out rates by type of education, 1997/1998 school year*

	Expenditure per student		Drop-out rate	
Completion of Primary Education at most (ISCED 1-2)		EU average	3.0	EU average
Completion of Secondary Education at most (ISCED 3)			3.5	
Of which:				
■ General Sec. Education			2.7	
■ Sec. VET with mat. exam			4.0	
■ Sec. VET with qual.			na	
Tertiary education (ISCED 5 and above)			5.4	
Total	100	100	3.6	100

National Statistical Institute, General and Vocational Education
**Data follows ISCED 1976 classification*

Unemployment benefit system in Bulgaria

The system is force follows the requests of the Unemployment Protection and Employment Promotion Act, in power by the end of 1997 (State Gazeta, 16 December 1997) .

Entitlement to cash unemployment benefit:

The right to cash benefits shall pertain to unemployed who have been employed under labour contracts and have been on unemployment social security or subject to such for at least nine months during the last fifteen calendar months prior to its termination and that period shall be recognized as record of service.

The right to unemployment cash benefit shall pertain to the unemployed who have operated only under management or control contracts over state or municipal enterprises - sole proprietor commercial companies and/or on the decision of the general meeting of the commercial company and have been on unemploument social security or subject to such for at least 9 months during the last 15 calendar months prior to its termination.

The right to unemployment cash benefit shall pertain to the unemployed who have performed seasonal work under labour contracts for a period of at least of six months of the last twelve.

Obligations ensuring from unemployment benefit entitlement

The Act stated that the unemloyed shall register at the local office of the NES under their registered address of residence not latter than three months from termination of their permanent employment contract or of their manager's or supervisor's contract and shall submit a declaretion stating that they are unemployed, actively looking for a suitable job and are available for joining a professional training course.

During the period of receiving unemployment benefit, the unemployed person shall confirm the declaretion at least once monthly and shall present themselves when summoned to be offered a suitable job or professional training course.

The unemployed persons who do not receive unemployment benefits under this law but wish to use any rights under this law in accordance with other specifc legal and regulatory norms of the Council of Ministers on such grounds shall sign a declaration confirming monthly that they are actively looking for a job and ready to enter into suitable employment.

Unemployment benefit amount

The unemployment benefit amount regarding persons who have been full time employees shall be 60% of their average gross monthly salary over the last nine months where they have been subject to a mandatory unemployment security schemeq where unemployment benefits contributions have been at the rates applicable for less than 80% and not exceeding the minimum salary effective in the country.

The amount of unemployment benefits of the unemployed persons who have worked on a part-time basis shall be proportionate to the part-time agreed.

The unemployed persons who have terminated their permanent employment contracts of their own will, except in some cased under Labour Code article, and aslo in cases of dismissal for breach of discipline shall receive unemployment benefits for a period of four months, amounting to 80% of the minimum salary effective in the country.

The unemployed persons who have again gained entitlement to unemployed benefits within three years of the previous entitlement, shall receive unemployment benefits for a period of four months.

Commencement of payment of unemployment benefit

The unemployment benefits shall be paid as from the date of registration of the unemployed people as the local office of the NES.

Where the contract has been terminated as the free will of the person, except the cases under some articles of the Labour Code, and also in case of dismissal for breach of discipline, payment of unemployment benefits shall commence three months after the registration date.

Mode and period of payment of unemployment benefit

the unemployment benefit shall be paid on a monthly basis in accordance with the record of service of the unemployed person, recognized under the Labour Code or other specific laws, for the following period:

Record of service	Period of entitlement to unemployment benefit
Years	**Months**
up to 3	4
3 to 5	6
5 to 10	8
10 to 15	9
15 to 20	10
20 to 25	11
over 25	12

Termination of unemployment benefit payments

Payment of unemployment benefits shall be terminated when the person starts:

- working on the basis of a permanent employment contract for a period exceeding nine months;
- operating under a contract for the management or supervision of a commercial company;
- working under no written contract with the employer;
- performing commercial activities;
- working as a co-operative member in pursuance of the Law of Cooperatives or as a farmer;
- receiving income in cash or in kind from exercising a registered labour activity.

Payment of unemployment benefits shall likewise be terminated in the following cases:

- unjustified refusal of the unemploye to join a training program or willful termination of participation in such a program;
- detention of the unemployed to serve a term in prison;
- enrollment of the unemployed for regular studies at a school/university;
- obtaining entitlement to old age pension.

Suspension of unemployment benefit

Payment of unemployment benefits shall be suspended for the period where the person:

- works under an employment contract for a specified period; attends training courses organized by NES; is called up for regular military service; is detained by the government authorities under a procedural enforcement; participates in military exercises or military re-training for more than 5 days; receives benefits for temporary disability to work;

- Payment of unemployment benefits shall be suspended also in case the unemployed person: carries out an individual personal service contract; fails to turn up without mitigating circumstances at the local office of the NES - only for the period covering failure to turn up; residence abroad - only the period of absence from the country;

Benefits are paid from the employment fund - 4.5% of the payroll. The employers and the employees contribution is 4:1.

Active labour market programmes in Bulgaria

The employment programs include a great variety of: job creation schemes; self-employment promotion; job creation policies in regions with mass lay-off of labor force and high unemployment rate; programs for raising the mobility of the labor force; special programs for the physically disabled people, the youths, the women; earlier retirement schemes; compensation schemes for unemployed by encouraging them to participate in public activities, etc.

a) Programs for employment and self-employment promotion

These programs have the purpose to stimulate the employers to hire unemployed, or to stimulate the unemployed to start own business.

During the last two years, the Ministry of Labor and Social Policy started to implement programs together with international organizations These programs have a great importance and are carried out with the financial assistance of the European Union, Phare Programme, UNDP, etc.

The package of sub-programs includes schemes which aim promotion of:

- employment in the private sector;
- starting of own business by the unemployed;
- job creation for vulnerable groups of unemployed, including in the temporary employment program;
- occupational programs in relation to Decisions N142\1992 and N 56\1994 of the Council of Ministers;
- programs for the unemployed from Smolyan, Madan and Rudozem municipalities;
- program for growing of tobacco, sugar beet, etc.

The subsidized employment is one of the largest programs of the active labor market policies. This statement is supported by the share of the program in the total expenditures of the "Professional Qualification and Unemployment" Fund.

In 1997 there were spent about BGL 12 million on the Temporary Employment Programme, which is the largest program within the subsidized employment. The structure of the schemes indicates that the funds spent on self-employment programs amount to 24.9% from all the expenditures for active policies; the funds spent on the program for growing tobacco according to Regulation N 64 of the Council of Ministers from 1996 amount to 24.4% from all the expenditures. About 1% from all the expenditures have been spent on job creation in municipalities with high unemployment rate like Madan, Rudozem and Smolyan. There were also conducted some branch programs as for example growing of sugar beet, etc.

In 1997 the average number of the unemployed hired within the Temporary Employment Programme was about 26 000 people. About 64 000 people have received financial support for starting own business under different schemes. Every month about 160 000 youths have been reintegrated on the labor market.

The number of the unemployed, hired within the subsidized employment program in 1997 has grown. In 1996 the average monthly involvement was 20 000 unemployed. The same trend of growth is also valid for the number of the unemployed who have started own business with the financial support of the active labor market policies.

But it should be stated that these programs could lead to temporary reduction of the unemployment's intensity for the certain region. In long-term aspect these programs are not able to balance the demand and supply of labor

During the recent years, these programs became an important instrument for reducing the social pressure in certain regions of the country. That's why the goal of the program was changed, and from being a program for temporary labor reintegration, it became a form for reducing the social pressure. In this way the program became a way to involve permanently unemployed people in temporary employment in order to provide them with temporary source of income.

The youth employment programs have a priority among the active labor market policies. This priority results from the unfavorable structure of the unemployment, where the youth unemployment has a considerable share. The youths are not in equal position on the labor market although they are well educated. They lack experience which is highly required by the employers. The lack of professional experience is also an obstacle for staring of own business, because they cannot be competitive in a situation of imperfect competition.

The instruments that are used to reduce the youth unemployment include preferences and tax deductions for employers, who have hired young qualified workers or young specialists. In 1997 about 344 young specialists have been hired at work. The young qualified workers hired at work were 73 people. The data indicates that these schemes for youth employment are not very popular among the employers and the youths.

Due to the lack of complex evaluation of the youth employment programs, it is difficult to comment the reasons for their unpopularity. It is necessary to evaluate this type of programs in order to identify the programs and to give certain recommendations and achieve adequate results.

The same comment is also valid for the programs that target the physically disabled people. The success of these programs is measured with the involvement of 44 unemployed physically disabled people, which is considered as a satisfactory result.

b) Training and retraining programs

The substantial changes in the structure of the economy require a dynamic process of quality adjustment of the labor force to the new reality. Since the beginning of the transition the country fell in several deep recessions, and this caused difficulties in the adjustment process and reduced the efficient use of the labor resource.

In the same time, the flexible adjustment of the educational and qualification level of the labor force should not be ignored, as an important instrument in the unemployment reduction policy. The analysis of the relation between the unemployment rate and the qualification of the unemployed in Bulgaria reveals a strong correlation.

The data indicates that the share of the expenditures for education, training and retraining, made by "Professional Qualification and Unemployment" Fund vary from 1.4 percent in 1993, 1.3 per cent in 1994, 1.6 per cent in 1995, 1.7 per cent in 1996 and 0.6 per cent in 1997 in the total expenditures of the fund.

The expenditures for training, retraining and motivation of the unemployed have a prevalent share - over 95 per cent of all the expenditures. The rest of the expenditures have been spent on programs for raising the literacy of the unemployed.

In 1996, the average monthly expenditures per unemployed for participation in training and retraining programs amount to about BGL 5 000.

The number of the unemployed who have participated in training and retraining courses varies from 800 people in January 1996 to 3 549 in December 1996. In 1997 the number of the unemployed involved in training and retraining courses is 17 186 people which is 3.2% from the total amount of the unemployed.

The system of training and retraining will require the introduction of diverse services, different forms for rendering of these services, periodic monitoring and evaluation in order to increase the flexibility and efficiency of the system. The NGOs could play an important role in these activities

Special attention should be paid to those who have already passed through different forms of education, training and retraining. Nowadays it is not clear enough what actually happens to them when they complete the courses.

It is necessary to have a periodic monitoring and evaluation of the educational, training and retraining programs. It will also be useful to revise periodically the contents of the courses in order to update and adjust them to the changing reality, and thus raise their efficiency.

c) Labour mobility programmes as a component of the active labour market programmes

The labor mobility is considered as an element of the developed labor market. This labor mobility is intensified in periods of considerable economic problems. And because now Bulgaria is in structural adjustment period, the intensified labor mobility should contribute for the redistribution of the labor force in regional aspect by reducing the unemployment rate.

Although there are no legal obstacles for the labor force mobility, the mobility itself is not very high, despite the fact that the unemployment rate in some regions exceeds considerably the average for the country. Some of the obstacles for the mobility of the labor force are related to the general recession and the expenses which are caused by the change of the residence. As a rule, work is offered in the big cities, but for many unemployed this means payment of rents. They possess property in the cities where they live but unfortunately they cannot find work there, and in the same time they cannot receive income from their property because there is no demand for property in these cities.

The labor force mobility includes the domestic mobility as well as the emigration and the immigration.

The emigration and the immigration processes continue to develop, although they are not so intense, and to some extent they are caused by the unemployment. There are two mobility issues, related to the unemployment reduction: first - protection of the domestic labor market from supply of labor by foreigners; second - protection of the Bulgarian labor force, which is employed abroad.

The first issue is related to balancing the pressure on the labor market, caused by the foreign labor force; the integration of this labor force by avoiding the creation of "work force ghettos", etc.

The "export" of labor force should consider the sufficient health and safety provided to Bulgarian workers abroad; protection from labor place risks, etc. The existent bilateral agreements for labor force exchange or for sending of labor force abroad have a positive effect on the labor market, but they don't have a considerable impact on the demand and supply of labor because of the limited contingents.

The private labor offices play an active role as intermediaries for hiring of labor force and sending it abroad. But there occur some periodical problems, which shows that not all conditions are well considered. The most recent example for this is the problem with the Bulgarian medical staff working in Libia

In regard to the expenditures, which have been allocated for active employment policies it should be mentioned that they have been BGL 39 000 in 1993; BGL 59 000 in 1994; in 1996 there have not been made any expenditures within this programme; and in 1997 - the expenditures amount to BGL 35 million. In 1997 over 1000 unemployed have used the programme and they have used money compensation for moving their families to a new settlement, where opportunities for starting work are offered.

d) Employment promotion through international projects

The "Beautiful Bulgaria" Programme is one of the active labour market programmes, implemented with the assistance of international institutions. This programme was initiated by UNDP and supported by Phare Programme and became very popular with the opportunities for the unemployed to participate on the labour market after being trained in construction. The programme contributed for the renovation of old buildings and parks in six cities, and showed a good reintegration effect for the unemployed. It also revealed opportunities for good co-operation with the private business, the labour offices and the unemployed. The programme is evaluated as successful not only because of the 4300 people who were hired within it, but also because of the training which enables those unemployed to be more competitive on the labour market. The programme also involved groups from the gypsy population. The unemployment rate among this group is very high and the temporary labour integration has social and psychological importance for them.

There should also be mentioned the "Regional Initiatives for Employment" Programme, which is also within UNDP. This programme comprises several programmes, directed towards stimulation of the small and medium companies in regions with high unemployment, development of regional initiatives for employment, etc.

The training programmes implemented within the bilateral agreements with Germany and the established business centers are very important for combating the unemployment. The NGO participation in these activities could support considerably the state authorities.

The implementation of international employment programmes in the different regions of the country is a positive fact that provides opportunities for correct definition of the goals and good selection of participants. The implementation of these programmes should involve the NGOs to find their place in such programmes and work actively for their successful implementation.

Table A.7 Wage bargaining system in Bulgaria, 1991 - 1998

Characteristics	Description
Coverage	High. All workers in the state sector irrespective of union affiliation.
Negotiation system	Tripartite system of interests reconciliation (government, unions and employers). There are four levels of negotiation: national, branch, regional and enterprice. Branch and regional agreements less developed. At national level the following topics are negotiated: the minimum wage, the initial level of average wages in the public sector and the mechanism of wage regulation and indexation. At branch and regional levels are negotiated the same issues with local importance. At enterprise level are negotiated: all parameters connected with the size of minimum wages, job evaluation and the size of additional payments.
Level of co-ordination	Strong co-ordination at national and enterprise levels among unions and employers. There are well-established institutional structures. Non-established branch structures in all branches. Weak co-ordination at branch level.
Power of the social partners	The powers of the social partners are roughly equal at national level. In some branches and large enterprises there is an asymmetry of powers in favour of the unions.